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Interview

The new approach to planning:

Opposition to zoning grows daily. Two years ago, the Pennsylvania Supreme court ruled unconstitutional a zoning ordinance banning apartment construction in a Philadelphia suburb. Charges of racial discrimination in the use of zoning ordinances has led to increasing questioning by federal courts of the objectives of zoning, if not the principles. It is likely that the U.S. Supreme Court, which has not ruled on zoning since it ruled the device was constitutional in 1926, will reconsider the issue in light of current opposition.

A leading opponent of zoning—and whose popularity is a litmus test of the public sentiment against zoning—is Chicago attorney Bernard Siegan. Siegan, who has practiced law in Chicago since 1950, studied zoning while a research fellow in Law and Economics at the University of Chicago Law School. In speeches before such groups as the National Association of Home Builders (at its annual convention last year) and in his published works (examples: "Non-Zoning in Houston," in the JOURNAL OF LAW AND ECONOMICS; *"The Houston Solution: The Case for Removing Public Land-Use Controls," in* LAND USE CONTROLS QUARTERLY*) he has become a fountainhead of capitalism amidst the planners' rhetoric. Mr. Siegan coined the term "nonzoning" to describe his position, and this is now standard currency among those who believe in or wish to describe the free enterprise position on land use.*

Siegan's "case" is that market mechanisms are more rational and efficient arbiters of land use than zoning. By citing the examples of Houston and other nonzoned communities, he demonstrates in clear, practical applications how free market forces such as simple economics and restrictive covenants (voluntary legal agreements) determine land use patterns in a civilized manner. Zoning, he says, cuts the tax base by holding down the number of multiple family dwellings, contributes to the housing shortage, adds paperwork and years to land use changes, and is used to exclude "undesirables."

Siegan is more than a theorist. Communities like Kalamazoo, Mich. and Pensacola, Fla. have invited him to speak when changes in or new zoning ordinances are being considered. Last year, he urged an Escambia County Commission in Pensacola to restrain from passing a countywide zoning ordinance. After explaining the serious consequences of such an ordinance and the advantages of the marketplace, Mr. Siegan helped persuade the commissioners to allow the proposal to be decided by straw vote. The result was as Siegan anticipated: three months later the zoning proposal was defeated by almost 2-1.

The history of zoning in the United States is briefer than most people think. The big push by cities and states for zoning ordinances occurred about 50-years ago, and the initial push came in 1916 as merchants on New York's posh Fifth Avenue plumped for legislation to protect themselves from what they thought was an onrush of factories. But the legislation contemplated was moderate compared to today's ambitious ordinances, and no one thought zoning would ever encompass vacant land. "It just gathered momentum," says Siegan. However, zoning is so taken for granted in America today, that many people find it difficult to believe that a city the size of Houston has never had any zoning code.

Bernard H Siegan

We are at a critical juncture with regard to land use in general, and zoning in particular. A May 1970 HOUSE & HOME *editorial points out that zoning prevents "orderly growth" and is "housing's single biggest cost booster." The editorial notes: "With fewer and fewer new households able to buy $30,000-plus houses, the need for higher density land use is greater than ever, and it will increase throughout most of the 1970s."*

Many pamphlets which Mr. Siegan has authored are required reading in university classes. His first book, LAND USE WITHOUT ZONING, *was published by D.C. Heath (Lexington, Mass.) last September and has provoked controversy among planners from coast to coast.* REASON*'s interview with Mr. Siegan, conducted by contributing editor Dennis J. Chase, was the author's first such extended session (he has been much in demand since the publication of* LAND USE).

REASON: Mr. Siegan, land use is suddenly a hot topic. According to the *WALL STREET JOURNAL* there's a quiet revolution going on and I wonder if this is just the planners squabbling among themselves or if there are any fundamental change taking place in land use.

SIEGAN: The most consistent element that I have observed about planners is the inconsistency of their views. There are a lot of different approaches on land use and most everybody who has made any study of local zoning has found it unsatisfactory for various reasons. And what is happening now is that the conservationists and environmentalists are saying that local zoning is not exclusionary enough, and the land developers and development interests are saying that local zoning is too exclusionary. These two interest groups have united on the one thing and that is that local zoning has failed as far as their objectives are concerned.

However, something may happen which is major: There is before Congress national land use legislation, and that might make a major difference in what's going on in the states as far as land use is concerned. One purpose of that bill is to remove some of the land use control powers of municipalities and give them to the states. It also creates a strong federal presence in land use. However, it's being sold on the basis of the federal government simply seeing to it that states set up land control systems that will remove some of the powers from the municipalities.

REASON: All right. so we'll have states doing what municipalities formerly did. Will that make a major difference?

SIEGAN: No. I think in time it will come out roughly the same way. However, at the present time, because of all of the ecological pressures that are going on and the fact that most states are suburban-rural dominated, the result may be a more exclusionary overall result.

REASON: I would like you to summarize your position with regard to land use.

SIEGAN: I would like to see the government removed as far as possible from control of land use—that is I want the municipality, the state and the federal government removed as far as possible. I'm talking very largely about zoning. There are a lot of other controls. There are building codes, there are subdivision controls, there are traffic ordinances, there are minimum housing ordinances—I think those have to be examined in detail to see the failures on those levels. We already know that on many levels those have failed, in many ways even more grievously than zoning.

REASON: You're not for the abolition of those things however.

SIEGAN: At this point I certainly would like to see them looked into and perhaps some of the serious governmental abuses removed, and whether that requires getting rid of it or not I really can't say at this point.

REASON: What are your major objections to zoning?

SIEGAN: When you give control to government you find that the process that's used by government is a process that really has nothing to do with the use of a valuable resource like land. In the case of land use, what you do is subject the use of land to the political process and political pressures, and when you do that

the land will be used for reasons that have nothing to do with the optimum use of the land, with good planning (if I may use that term), and with any rational criteria for use of that land. Use will be determined by who has the political power, who has the graft, who has the influence, who has the multitude of things that causes the political powers to act as they do. I think that is counterproductive to the use of a very valuable resource.

It's not necessary for land use to be controlled by government. It can be controlled by the market quite effectively and accomplish all the zoning objectives. When people say to me that there are bad things happening to the land when private people handle it, it seems to me that the obvious response is to point out the great and enormous waste of land that occurs when political forces which have no relationship to any rational criteria for use of the land are given control.

REASON: Can you cite examples of some undesirable effects of the current land use policy?

SIEGAN: Well, one easy example is density restriction—go out in many suburbs northwest of Chicago and you find that if you want to build apartment buildings, you will be restricted to fourteen units to the acre, eighteen units to the acre. That's totally absurd. There's absolutely no reason for it. You have that land being wasted for no reason. There are various restrictions but one of the restrictions that's an obvious abuse and waste of land is where a builder is told by a municipality that on this acre of ground you can only put fourteen units. That means that there's very very little usage of that land. In Chicago there are some areas where you can put 400 units per acre. There's no problem at all and there's no harm that can possibly result when you put more than fourteen units to the acre. Such magic numbers have nothing to do with the use of the land. The *real* reason is that these suburbs don't want apartments, so they do it by density restrictions.

REASON: Go on—I'd like to hear some other examples.

SIEGAN: There is the broader subject of multiple family dwellings. Through the zoning process, people get a chance to decide what's going to go into a community and what's not going to go into a community. And people are deciding what is good planning and what is not good planning. These people, the local residents, have no basis for any of their decisions except what they personally want. One thing that happens is that the suburbs are restricted insofar as apartment use is concerned. That's a major problem because there is and there's going to be a lot of demand for apartments. When I say apartment use, I'm not only referring to apartments as we know them—garden apartments—I'm also referring to townhouses, quadrominiums, other dense aggregations of housing accommodations. Single family dwellings are also treated adversely. Again, local residents get an opportunity to say who will be their neighbors—who will live in the community. And they usually make a decision in their own self interest. We want people who are as nice as we are, who are as wealthy as we are, who won't create any problems, who won't be poor. We want to have a nice affluent area. The result is they put restrictions on homes. Certain areas must have big lots and others have smaller lots.

REASON: Has this led to the imbalance between urban growth and suburban growth—the so-called crowding in the cities as opposed to the wide expanses in the suburbs?

SIEGAN: , Yes. I would say it has to. Because what this has meant is restriction upon development in the suburbs and we've learned that when the suburbs restrict a unit they not only affect the suburbs but they affect other areas. The filtering process is involved. We now know from a survey that's been made by the University of Michigan that the filtering process works quite well, and filtering means this: When one unit is built in a suburb of Chicago someone has to move into that from some other place and the latter in turn vacates his unit, and so on. The University of Michigan study indicated that these moves went all the way to the inner city. That when a rich fellow got an apartment in the suburbs, the fact that he got an apartment helped someone in the inner city. So you have something that isn't isolated. This effect is quite diverse. It goes throughout the housing market of which the suburb is part. Specifically survey found that for every new unit that was built approximately three and one-half moves resulted.

"It's not necessary for land use to be controlled by government. It can be controlled by the market quite effectively and accomplish all the zoning objectives."

That included the move into the new unit, as well as two and one-half moves down the line. They also found that more than one-third of the people who moved were in the moderate and low income categories. And these are the categories—the moderate and low income categories, where we're spending millions of dollars on presently to try and better their housing conditions. Their conditions can be considerably helped simply by allowing the market to function, by having people go out and produce housing. And we may be doing more good for people at the lower end of the economic spectrum by building that unit in the suburbs than can be done by actually building subsidized housing for those people.

Now for very wealthy people it really doesn't make much difference if you keep out gas stations or you keep out supermarkets, because they can travel the fifteen miles or the ten miles to get to these places, and they would just as soon prefer it that way. But for people with lower income it's quite desirable to have shopping very close, especially if your car doesn't function that well, if the cost of gas is important, if there is only one car for the family. The great tendency of the suburbs is to keep out many convenience facilities. Franchises, you may see a great deal of but there are certain suburbs where you'll see very very little of them.

REASON: What about the fears that both people in the suburbs and the cities have, that they don't want to live next to a factory?

SIEGAN: I think the factory these days is as interested in staying away from people as the people are from factories. When the big industry moves these days their moves are very very carefully studied and they recognize that in this day and age—and what I'm saying is also probably true for past days and ages—being next to people is not good for a factory. It may make noise. It may lead to employees riding over residential streets. It may have some smoke and odor—lawsuits, demonstrations and bad publicity can result. But that's one reason. The basic reason comes from inspecting the land use maps of the nonzoned areas. Look at the land use maps of Baytown, Texas; Wichita Falls, Texas; Pasadena, Texas; Laredo, Texas; all of these communities are not zoned. They range in population from 45,000 to over 100,000. If you look at their land use maps, you'll find that industry has separated itself from residential—and no zoning board has said to industry you've got to go there or you've got to go here. They did it themselves. The normal forces of the market place have separated industry from residential uses. There are economies in being near a railroad, near a major thoroughfare, and so forth. There are great costs in locating in the midst of or adjoining homes. You find that this process has occurred without any regulations. In fact, when people insist, come on now, who did it, I usually insist it's the *Great Pumpkin.* If you read Peanuts you know Linus is always looking for the Great Pumpkin and I feel that if you really have to have an answer as to why this has happened, he's as responsible as anybody.

REASON: What has been the effect of zoning on race relations?

SIEGAN: By impeding the filtering process, zoning has certainly not been helpful. People in the ghetto have less opportunity to move out of the ghetto when there's less production and less opportunity for that movement to be made. On that basis I would say that race relations—I don't know if "race relations" is really the term—but the opportunity to move out—to have greater opportunity for going elsewhere—is much better when there's more production than when there's less production.

REASON: What has been the effect of zoning on land values and taxes—and I'm thinking specifically of whether zoning accomplished the objective of maintaining a stable land value and a stable community.

SIEGAN: No. I would say it probably does the reverse. The optimum allocation of resources would occur much better in the absence of zoning than when politicians and local citizens and planners come around. The zoning process is a political process. It has no relationship whatever to looking at each land use and making a prudent decision on it, whether it's good for taxes or whether it's not good for taxes—whether it's good legally or good this way—it's a political process. People gather, make compromises and whoever screams the loudest has his way. How can we possibly then come to the conclusion that this erratic, irrational process can result in an optimum use of land or in a use of land that can result in the best collection of taxes.

REASON: Do you think communities also are hurting themselves taxwise under zoning?

SIEGAN: Yes. I think there's no question there. Let's take the suburbs—that's the easy one. Single family homes never pay their way. I think the figures in Chicago suburbs—northwest suburbs—are that it now costs about $1,000 to educate a child in grade school for one year. I figured out that you have to have a $70,000 home just to meet that one objective. And many people don't have $70,000 homes. The

result of that is that the more and more you build homes, unless they are $70,000 homes and unless you make sure that there's no more than one child in the family, your taxes aren't going to be helped. Number two is the question of apartments. Apartments, by every study I have seen—and there have been some very thorough studies—apartments, garden apartments, more than pay their way for the school district. Well, apartments are kept out of the suburbs. Not only are apartments kept out but also one of the things the apartments bring in is commercial—now commercial no one can argue about, it's very good for the tax base.

REASON: What kinds of private controls over land use do you think would occur without zoning.

SIEGAN: In Houston, most home areas look exactly like they were zoned. And they have what is known as "restrictive covenants." When the developer develops a subdivision he controls the use that can go in that subdivision. Prior to World War II, he might have controlled it for specific periods, say, twenty years, thirty years, something like that. Now at least in Houston it's usually done on the basis where these covenants last for a certain length of time—let's say twenty-five or thirty years—and they are automatically extended unless 51% of the people agree they don't want them extended—at the expiration of the original term or at every 10 year interval thereafter. But to get to your specific question of how this relates to zoning: In Houston covenants that were imposed perhaps twenty-five or thirty years ago are now in the process of expiring. Suddenly, there will be no restrictions whatever. When those covenants expire in the areas that are not zoned, that's virtually the end of all controls there and you can put your gas station or anything else in. What has happened in Houston—I think it would probably happen were zoning eliminated—is that people are getting together themselves to control their immediate areas. I have found a number of examples where the covenants are about to expire, or have expired years ago—they didn't even know about them—didn't think about them—and the residents are getting together and imposing brand new restrictions for a twenty year or twenty-five year period. It isn't such a serious situation because the gas station or the hot dog franchise or industrial plant is not about to locate in interior or residential streets. The very likelihood of anything commercial entering once the covenants have expired is rather remote in the upper income areas. In the lower income areas the likelihood is much greater for a grocery store coming in on a residential street or even an auto repair shop. But that will happen because the people actually want it—those things help people. The lesson from Houston is that in the middle and upper income areas, when the covenants expire or are about to expire, people on their own, without going to City Hall, without asking their alderman or paying their alderman, can get together and impose covenants. Sometimes it's a 100% effective, sometimes it may only be 75% or 60% effective. But you don't have to have it 100% effective, because if you have enough it's not too likely that any terrible things are going to happen. It means a more circumscribed area of control that won't really affect living styles for most people. At the same time a lot of other areas will have the opportunity to be utilized as market conditions warrant.

REASON: Tell me a little bit about the history of Houston—how long has it been nonzoned?

SIEGAN: Houston has always been unzoned.

REASON: It's never had zoning?

SIEGAN: Never had zoning. It's had two elections on zoning and that's the reason Houston doesn't have zoning. And if there were more elections on zoning there would be less zoning.

REASON: Have most communities that do have zoning had it imposed upon them?

SIEGAN: With the exception of relatively few cities, most communities had zoning imposed without any election. In Texas, there was an election in Houston, Baytown, and Wichita Falls. Now Beaumont also had an election and the election went 70% against zoning but about six years later the City Council imposed zoning anyway. There have been elections in the counties around the country. I don't have a complete rundown on that, but most seem to go against zoning. In few counties in Missouri, voters voted for zoning and then turned around and voted zoning out. But the other major cities in the country never had an opportunity to vote on it. I don't have the percentages, but the Douglas Commission figure is that 90% of municipalities with 5,000 or more population in 1960 had zoning. That's about the only figure that I'm aware of.

REASON: Can restrictive covenants accomplish *all* of the alleged good that zoning is supposed to in the sense of allowing planners, those who plan for utility lines and municipal services, to know what's going to be in that community a year from then—or ten years from that point?

SIEGAN: I would say it helps. But it's really more than that—it's not just really the covenants. If you talk to people involved in schools in the nonzoned areas, you'll find that they really don't have many different problems than the people in the zoned areas. Most land is going to be used for average or less than average homes—and the school district knows that whether it's zoned or not zoned.

"Most communities had zoning imposed without any election. If there were more elections on zoning there would be less zoning."

REASON: Are there any areas without covenants that are just chaos, where people have decided that they'd prefer not having covenants and just let whatever happens happen.

SIEGAN: I use the Denver Harbor (Houston) example of no covenants. Denver Harbor is a lower income area northeast of the center of downtown Houston. It's a pre World War I subdivision. The only restrictions they ever had were racial restrictions. But no other restrictions—and the racial restrictions were killed many years ago. We wanted to find out what had happened in this area, and we surveyed it in 1969. On one side of the area surveyed there's heavy industrial, and on the corner of the area we surveyed there was also heavy industry. We surveyed ninety square blocks—on one side heavy industry and corner heavy industry—no restrictions, most anything goes. Our survey indicates that on interior or local streets about 7% went for commercial and 1% for industrial and about 2% for multiple. And the rest was single family. On some blocks there was nothing except homes because there is no reason why commercial is going to go into these areas. There are no gas stations in there—you can't find a gas station except on main thoroughfares which have heavy traffic. The two principal commercial uses that we found in the area surveyed were grocery stores, and auto repair shops. When you look at these auto repair shops you find that again the great planner, the Great Pumpkin, has decided where the auto repair shops go. You find one auto repair shop that will cover several blocks, another will cover another several blocks, there just isn't enough business for two together. So you have this great master designer putting the auto repair shops where they're most likely to be in a market oriented economy. That is where they serve people. Now the question is, perhaps these people really hate this kind of thing. How do I know that these people really wanted this sort of commercial development? I think if they really didn't want them they'd chase these stores off—they just couldn't exist every few blocks the way they do. And there's the Houston zoning election. When the people in this particular area had the opportunity to vote on zoning or no zoning, they voted five to one against zoning.

REASON: Is your immediate goal then to have zoning elections in as many communities as you can get them?

SIEGAN: In certain cases.

REASON: Is that the recommendation you would make to many communities?

SIEGAN: Yes.

REASON: Immediately, elections?

SIEGAN: Yes.

REASON: Now I'm wondering aloud if this is something that should be decided democratically—if zoning is wrong or immoral and it should be wiped out?

SIEGAN: It seems to me that zoning is such an important issue that if you're going to subject anything to popular vote this is as good a candidate as any should be. There are other issues involved and these may be issues for the courts. There are very serious restrictions upon private property involved in zoning—where people, your neighbors, are telling you how you can use your land, and that's something that perhaps is not subject to voting. That's a matter for the courts.

REASON: I'm wondering, Mr. Siegan, if you favor ending all zoning ordinances immediately? Or is there some kind of transition period that you favor?

SIEGAN: There has to be a transition period, because people have relied on zoning when they've erected their homes. If there was no zoning most areas unquestionably would have had restrictive covenants. But they have relied on the law and I think the law has an obligation to say to these people we're going to give you a reasonable period of time in which you can get your own restrictions or not get your restrictions or decide what you want to do.

REASON: You always point to Houston as the key example of successful nonzoning. Many, however, have called Houston a mess, and one architect has said that there's "visual chaos" in Houston, among other charges. Is Houston chaotic? Is it a mess in any way?

SIEGAN: I think it's very difficult to take 450 square miles of territory and say it's messy or not messy. That's an enormous amount of territory to make a determination that I feel is a meaningful determination. I can only tell you that there are many many people who feel that Houston is a very lovely city. But let's assume that Houston is a mess. Let's assume that. Now why would zoning make it any less of a mess? For one, I think that things have happened in Houston that couldn't possibly have happened, and this all goes within the question of mess—there are more people provided for in Houston by and through the use of real estate than anyplace

else. As far as mess—this is the problem that comes with the zoning. Zoning leads to higher rent and prices and inconveniences—that's really a mess!

REASON: Are private developers generally taking advantage of the increased opportunities in Houston?

SIEGAN: Oh, I believe so.

REASON: Can you give me a specific example of a missed opportunity that may have occurred in another community that didn't occur in Houston?—things that have happened in Houston that wouldn't have happened if it were zoned.

SIEGAN: The best example is Greenway Plaza. This was an office building complex—not too far from the downtown area of Houston. Adjoining it were three single family subdivisions. Greenway Plaza in 1968 purchased one entire subdivision and over 90% of another in the next year, leaving one subdivision. Of course once they purchased the subdivision it's their land, and they can do with it most anything they want to do. but if there were zoning, before they purchased they would have wanted to get City Council approval for rezoning that property from single family to what they proposed: high rise office and apartment buildings. This is the major change in zoning. It can take a long time—then it might require a 75% vote of the City Council. Everybody would have his two cents worth as to how it should be done—the newspapers would say this, the planners would say that, and it would be the usual political maneuvering where somehow the result comes out to please the political pressures. My guess is in a place like Houston or any city they would say OK we'll finally agree to it, but it may take a year, and they may exact all kinds of things which have nothing to do with development—but much to do with politics.

REASON: How important is Greenway Plaza to Houston?

SIEGAN: In time this will become a major development of Houston. I wrote and asked what present plans were for this area, and how much money was going to go into it. And the figure that came back was $500,000,000--in other words they're taking 237 homes that now are in an area that should no longer be single family, and they're converting the 237 homes into a major commercial development. Even if they exaggerate they'd have to exaggerate a long way not to see that that's an extremely desirable development for Houston. It will help taxes, employment and business enormously. It will of course help people; there will be more shopping area—there will be more office building area. There will be apartments. It will be much better use of that land than exists now. It's highly unlikely, if not impossible, that this could have happened if there were zoning.

REASON There's one thing I'm not clear about in your argument. You said at some point that Houston and several other communities are better off without zoning or with the nonzoning policy. At other points you say there simply is no difference—if you take a look at a land use map—you couldn't really tell the difference between a nonzoned community and a zoned one. Are you saying that what results from nonzoning is pretty much the same as what you would get with zoning . . .?

SIEGAN: When I talk about use—when I talk about the fact that industry goes here and industry doesn't go there and residential goes here—I'm really talking about one thing and that's *use separation.* In terms of use separation, about the same thing has occurred under nonzoning as under zoning. In fact you could argue that there is probably greater separation under nonzoning than under zoning. That does not consider the quality or the quanity of the developments. Use separation is highly important. If you ask planners—or the historians of zoning—or the proponents of zoning—what's the most important accomplishment of zoning—the answer might well be use separation. When it comes to *quantity* and *quality,* that's where the points go much better for nonzoning because of the various things I've indicated. In other words if you can only put fourteen units to the acre you may have separated those fourteen units off completely but that is still a big waste of land. That will not happen under nonzoning.

REASON: How much—has anybody computed how

"Rents are cheaper in Houston than in Dallas —and this is largely attributable to the absence of zoning in Houston."

much zoning has cost this country?

SIEGAN: No. But it would be an interesting study. How apartments fare I think I referred to that, what happens with high rises, I don't know that you can go much further. I don't know how to compute whether there are six more office buildings because of nonzoning or are there seven more apartment buildings. The only thing I have computed is rents. Here's something that we can try and evaluate. Now that's a cost. If your rents are cheaper in Houston than they would be if there were zoning—or in a comparable zoned city, that's a terrible cost.

REASON: What happens with rents?

SIEGAN: I compared two cities, Houston and Dallas. And Houston has very similar cost figures—the cost of living is very very similar in Dallas—the cost of construction is also very similar—income breakdowns differ little. They have about the same amount of vacant land—amazingly similar statistics between Houston and Dallas. However, when you look at rents, and our whole argument should tell us that with more production, with more competition, the rents should be less, you find very significant differences. The figures I can quote were compiled by the Bureau of Labor Statistics. The Bureau took a set of specifications for five room apartments and for two and three room apartments and they took that same specification around the country and priced it. Now there are a lot of limitations with doing it that way, and it's a small sample.

REASON: Well, can one just lead from that and say to the people who complain about the skyrocketing rents in New York and Chicago that one way to get around it is to do away with zoning?

SIEGAN: I think it would help. Whether it would end skyrocketing is something else. If tomorrow New York no longer had any zoning, it would still have rents that are higher than Dallas, because there are other factors involved. But all other things being equal, or very close to equal, between Houston and Dallas, then you can conclude zoning is responsible for the difference. There are other aspects of this particular question. The cost of construction in New York is exceedingly high compared to Houston and Dallas. The cost of construction in Chicago is exceedingly high—the labor unions in one place and no labor unions in the other place, and there are climactic differences, so, you know, there are other factors. I'm saying this: that a significant difference exists in rents in two cities that are otherwise very very similar. And that is largely, if not entirely, attributable to the absence of zoning.

REASON: Is zoning constitutional? You're a lawyer.

SIEGAN: Well, until the Supreme Court says otherwise, it is.

REASON: Is there any way to challenge it on the basis of unconstitutionality?

SIEGAN: A lot—all you have to do is pick up a law review these days and you'll find someone has a new idea why local zoning's unconstitutional. The *YALE LAW JOURNAL* says zoning's unconstitutional, the *HARVARD LAW REVIEW* says most zoning's unconstitutional . . .

REASON: What do they use as the base?

SIEGAN: They use different arguments. The equal protection clause, that it discriminates, that it doesn't give equal treatment to people, that's one thing, that it discriminates against poor people in favor of wealthier people. The *YALE LAW JOURNAL* has an interesting argument that says these towns are making decisions that affect vitally other people and these other people have no voting power in the town that's making these decisions. I contend it's unconstitutional because it violates one's property rights. Your neighbors, other property owners, and the political process all are controlling the use of your land.

REASON: How about the courts? Are they reacting increasingly against zoning?

SIEGAN: There are two major forces in the country today affecting zoning. There's the prodevelopment force and the antidevelopment force, the people who are ecology minded, want to strengthen zoning. They want to make it stricter and stricter, and they're bound to get judges who are going to agree with that point of view. On the other side there have been some significant decisions. In New Jersey recently a lower court decision observed that zoning benefited the private rather than the public interest.

REASON: Are there important cases coming up that we ought to be aware of?

SIEGAN: There are some cases around the country that are taking a more prodevelopment approach. Pennsylvania has had some very important decisions against restrictive zoning practices. New Jersey's got a bunch—three lower courts have been very very rough

on zoning. I consider zoning litigation, as practiced in Illinois and most states as a charade—it's a drama. You go to court and the issue is really just one and everybody knows what it is. A typical situation is that the neighbors with single family homes don't want an adjoining tract to be developed for townhouses. That's the issue. There's nothing else involved. And they have got the political power to make sure that they succeed in their objective. But then you go to court and the court starts talking about planning. Is there a reasonable basis for the local decision to deny rezoning for the townhouses? And then the court spends hours determining planning concepts. Now the court and everybody else, certainly the lawyers know that the only reason the use wasn't allowed is because the neighbors didn't want it. But if a planner comes along and says this is good planning it probably will be upheld, because the benefit of the doubt is given to the municipality, and if it can convince the court that there is some reasonably logical basis for its actions the court will uphold it. The controversy basically is some people want to keep other people out. It's basically between one group of people and another group of people. But not in court. In court it's between this group of planners and that group of planners. And this group of appraisers and that group of appraisers. It's a drama that has nothing to do with the reality of the situation.

REASON: Do you notice a left wing backlash against zoning?

SIEGAN: The cases in New Jersey, are being sponsored by groups and people who are civil rights-egalitarian oriented. The cases in Pennsylvania are not similarly sponsored but very much approved by this group.

REASON: Why has the left been so much more vigorous on this issue than the right?

SIEGAN: The left is always more vigorous on every issue than the right. I hate to give that response, but it's the way I see it.

REASON: Is there any way you can explain that?

SIEGAN: I don't know. I think that goes beyond the scope of this—it goes into psychology and what's involved . . .

REASON: Who are your principal supporters among—first among the professions?

SIEGAN: I would say the economists. I have found among economists that there is disenchantment with regulation and that one who criticizes regulation will get a pretty good hearing. Of course, they're not proposing to throw out all regulations. But I have found that there is more disenchantment with regulation among economists than with any other group that I have had anything to do with. Suprisingly, many builders, principally the largest ones, oppose my position.

REASON: They don't immediately support what you say?

SIEGAN: It's difficult to be specific. There's a lot of money in zoning. If you can take a piece of land that's worth $1,000 an acre and you can rezone it to something else you can make it worth $10,000 an acre. It's the closest thing to creating gold that I think the world has seen.

REASON: How about among the political ideologies.

SIEGAN: I'm surprised at the favorable response I get when I talk to student groups where it's very obvious that the orientation of the student group is left, or where it's Nader oriented, where it's obvious business is not held in high esteem.

REASON: Who are your chief critics, besides the planners?

SIEGAN: The original article in the *JOURNAL OF LAW AND ECONOMICS,* we thought, was going to get an enormous backlash. I remember I went through my footnotes many times and made sure that there were no mistakes, and I went through a lot of statistics backwards and forwards to make sure that they were accurate, and in fact left out certain things, because I thought that they bordered on the very controversial and I was going to have enough trouble defending the not-so-controversial aspects. Well it hasn't turned out that way. As it's turned out, I would say on the whole that it's been exceedingly well received, it's been written about and talked about all over the country and it's placed a brand new perspective on the issue for a large number of people.

REASON: How would you describe yourself politically?

SIEGAN: I really don't know how to reply to that in these terms. The candidate that espouses less government intervention in the economy is going to be the one that's going to appeal to me.

REASON: Well are you—there are certain tags that, you know, one puts on people—are you a capitalist, or an anarchist, are you a libertarian?

SIEGAN: I find that difficult. I could be a capitalist, libertarian or conservative. I don't know where precisely the one definition stops and the other begins. I really cannot find a precise word that would suit me. I think others could define me much better probably than I can define myself, because I always find it difficult to use a label that isn't precise.

REASON: You book is out, *LAND USE WITHOUT ZONING,* what reaction do you expect to it?

SIEGAN: I don't know. I'm very anxious of course to see.

REASON: There are three possibilities, it could be denounced, supported or ignored. Which one of those three do you see?

SIEGAN: I don't think it will be ignored. If my position had come to public light in 1958 I think I would have been run off the stage—off of whatever stage I'm on. And it would have been condemned. That was the period when the Chicago zoning ordinance was adopted. Behind it was a feeling held by many that planners could decide the best use of land. The Chicago zoning ordinance goes very far in making a decision as to how every parcel of land should be used. I consider that approximate period of time as the high point of the planning-is-a-science kind of thinking. I think at that time the planners looking at what I have to say would have been very much opposed, and would reject or condemn it very vigorously. Well a lot of things have happened since 1958. And the planners know that they didn't have the answers in 1958 and they doubt very much in their heart of hearts that they have the answer now. And so when someone comes along with a reasonable explanation of zoning and what to do about zoning, they, by force of circumstances, and by force of history, have to listen, and even though they don't like the idea they're not going to get up on some soap box and say this man is dangerous, he's no good, he's crazy, or that kind of thing. That can't be the result any more because they've seen what's happened during this period of time. ◻

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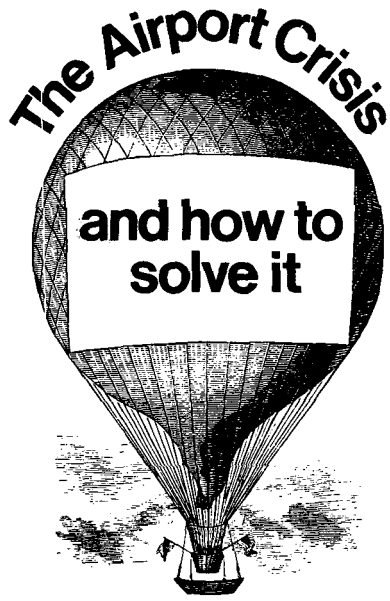

Los Angeles International (LAX) is one of the world's largest and busiest airports. As such, it typifies many of the problems engendered by "public ownership" of a vital service industry. Like other major airports, LAX's problems include (1) severe peak-hour congestion, (2) significant pollution of the surrounding atmosphere, and (3) intense noise pollution of the surrounding communities (El Segundo, Inglewood, and Westchester). In the case of the noise problem alone, some $4 billion in damage claims are pending against the City of Los Angeles, thanks to a 1972 California Supreme Court ruling holding city-owned airports liable.

It was aginst this background of problems that the Southern California Association of Governments (SCAG) commissioned a study of the need for new airports in southern California. Unfortunately, rather than seeking the causes *of the current airport crisis, SCAG chose not to question the conventional model of airports as government-owned "public services." In response to this failing, Professor Michael E. Levine prepared the following article, setting forth an economic analysis of the airport problem, and suggesting a market-oriented solution. This material was originally presented at a combined meeting of the Transportation, and Regional Planning and Development section of Town Hall in Los Angeles. In addition to publishing Levine's article,* REASON *has included various questions posed to Professor Levine at the Town Hall meeting.*

Professor Levine is Professor of Law at the University of Southern California, and is currently a visiting professor at Duke University Law School. He was recently appointed Luce Professor of Law and Social Change in the Technological Society at California Institute of Technology, and will be teaching jointly at USC and Cal Tech commencing this September. Levine received his law degree from Yale University and was a Law and Economics Fellow at the University of Chicago Law School. He has previously published studies of the airline industry in YALE LAW JOURNAL *and* JOURNAL OF LAW & ECONOMICS.

In the present system of airport planning, we project demand, based on the F.A.A.'s figures and trends. Then we ask, "How can we accommodate these future demands? Do we need more runways? Do we need an airport out in Santa Monica Bay? How far will people travel to an airport? Should we have an airport at Palmdale? Should we have certain kinds of restrictions like the peak hour restrictions currently in effect at La Guardia, Kennedy, and O'Hare Airports? Should we administratively allocate the airport space we have? Is it possible to design airports for airplanes with slower approach speeds or steeper approach profiles?"

What these questions ask is, "If demand exceeds present capacity, what technological and administrative changes can we make to deal with this problem?" We subject the potential methods of accommodation to constraints such as community problems, political problems, noise problems, and other environmental problems of various kinds. We then ask, "Which of

the possible configurations that are available is acceptable in terms of these constraints?" Finally, we throw in a bit of pseudo economics and ask, "Which is the least-cost solution?" (I call that "pseudo economics" because the costs which are considered in determining the least-cost solution usually exclude a wide variety of demands on resources which an economist would call costs.)

Airports use *scarce resources.* Airspace is scarce, land for airports is scarce, and peace and quiet is not so pervasive in our society that we find we have all we can use. It follows, then, that the problem of accommodating the demand for air transportation is a problem of allocating scarce resources.

RESOURCE ALLOCATION

When an economist is faced with demands on a scarce resource he asks, "Who values this resource the most? What configuration of output will produce the maximum amount of satisfaction among the potential users of those resources?" One of the best ways to find out is to use the information provided by the price system. The information is generated as follows: If potential users of a resource bid against each other so that everyone who uses a resource must pay a price at least equal to the value that others would place on those resources in alternative uses, those people who value the resources the most at any particular time will end up with them. (That does not mean that the richest person will end up with all of the resources. Even a rich person may have to choose between corporate jets and Rolls Royces. He will make a choice based on his desires and the relative costs of satisfying them, and bid in the market against other people who want to use those resources.) Thus, an important function of the price system is not just to pay for the output that we produce, but to help us *plan* that output. It tells us what things we need more of, what things we need less of, and which consumers value particular configurations of resources the most. But in the transportation field, we have used the price system only to a limited extent.

It is true that airline tickets are not free. If you want to go to Chicago you will in effect bid for the right to go against other people who would like to do other things with the manpower and machines that go into transporting you from here to Chicago. But you will not bid against others who wish to use the airspace, the land, and the other elements of the complex of resources that go into providing a place to take off and land. This is because at present we price those systems, if at all, on a "cost-recovery" basis.

We estimate the annual cost of operating the airport (which does involve considering the value of some of the resources to society.) When the anticipated number of thousands of pounds of airplane to be accommodated during the year is calculated, the estimated cost of running the airport is then divided by the expected aircraft weight, and a landing fee is set. This crude method of charging for airport use has several unfortunate effects. It means that a user of the airport does not take into account the simultaneous demands that other people who use the airport place on it. If at five o'clock on a Friday afternoon, five airplanes want to land in the same one minute time slot at LAX, the landing fee system in effect at present does not resolve the conflict. Priority is given on a first-come, first-served basis and other aircraft circle or are vectored around the area, resulting in increased flying time for each unit of output. Unfortunately, this method of resolving the problem ignores the fact that *at that hour* airport resources in Los Angeles are scarce, and ignores the consequence that we can no longer give them away at prices which do not reflect their scarcity.

In the same way, if we are contemplating the expansion of an airport, we do not consider for which users the airport is being expanded. We say LAX is becoming saturated and therefore we need to buy land either to expand the airport or build an airport somewhere else. We do not ask whether congestion is occurring only at peak hours or because certain aircraft make heavier demands per unit of output on the facilities than other aircraft. No attempt is made to differentiate the demand. We simply say the

airport is saturated and we need to find another place where we can give away airport space until it becomes so crowded that we will need still a third location at which to give away resources for airport use. We make no effort to charge users in a way that gives them incentives to economize on airport use.

NO PRICE COMPETITION

The airlines and "general aviation" (private) pilots respond to this situation as rational economic men. A pilot may reason as follows: "Since my airplane is very light, it will cost me very little to land at LAX or at any other airport in the area. I will barely consider time as a constraint. I will schedule my trips at the hours most convenient to me because it will never be brought home to me through the price system that other people regard those hours as equally convenient and might value their trips even more than I value mine." Reasoning the same way, an airline will schedule two half-empty 727's one hour apart when one 727 almost full would do the job. Although they pay the cost of operating the aircraft, they do not pay the costs associated with accommodating the aircraft at peak hours. The result is that when the airline considers whether to add a flight, it considers only the cost of operating its own aircraft and the revenue that flight will attract. It does not consider as a cost the delay that flight causes to other users or the possibility that other users may find that time more valuable than they do. (A long-haul departure may be more valuable to its operator than the nineteenth departure for the day on another airline to a short-haul destination.)

The airlines never have an opportunity to bid among themselves for the use of these resources. As a result the airports rapidly become crowded. The phenomenon is similar to the one you experience on the freeway every day at five o'clock. There is no higher price associated with freeway use at five P.M. than there is at two in the morning. Therefore, people elect to use freeways at five o'clock without considering the fact that large numbers of others also want to use the freeways at that hour. Only the cost of delay to oneself is considered. You think: "This trip will take me 20 minutes instead of 10, but it is still worth it to me." But you did not consider the cost of the additional delay your presence creates for the other people who would like to use the freeway at that hour and, as a result, we experience serious congestion. (I could have entitled this article, "The

Q. *What incentive would there be to adopt the measures you are recommending, when many airports already pay their own way under the present price structure and even go out of their way to stimulate their use?*

LEVINE: The Los Angeles Department of Airports has a real incentive problem. Unlike business men who are profit maximizers, the Department of Airports cannot keep the money it makes. They derive many of their satisfactions from presiding over a bigger and bigger system of airports.

If you are going to have a political process, one of the things you might do to influence public decision makers is to demand that airports be used more efficiently before imposing costs on other people.

Q. *Are you advocating private ownership of the entire airport and airways systems, a pricing system and the elimination of regulation?*

LEVINE: In an area like Los Angeles where there are many airports competing with each other I don't have any doubt that private ownership would work quite well.

On a less visionary level, we might expect public authorities to begin behaving more like private maximizers. This can be accomplished in three steps. The first step would be to examine what could be done with the existing airports. The least we could ask is that the Department of Airports ration its capacity so that the people who use it are the ones who value it the most. Step two would be to consider all of the impacts upon the community. An economist would say that we should "internalize" all of the costs associated with airport use. This would entail charging the Department of Airports for the noise problems they cause and requiring them to buy their land on the open market. Third, we should try to find some incentive structure, whether through private ownership or some way of rewarding bureaucrats, that would motivate the owners of airports to respond to price mechanisms and begin behaving like maximizers.

Q. *Wouldn't the prices have to be legislated?*

LEVINE: Airports are free to set any landing fee schedule they choose. Los Angeles International Airport could start imposing peak hour surcharges or surcharges for instrument operations because the capacity of the airport is reduced in bad weather.

Freeway Crisis"—the problem is essentially the same.)

Anyone considering taking a trip by air has the following choices: He can go to the most convenient airport, in terms of travel time to the airport, for a departure time which is most convenient to him, to the exact destination he desires. Or, he can accept a substitute for any of these variables. He can fly at a time slightly less convenient, from an airport somewhat less convenient or to a slightly less convenient destination airport. Third, he might not fly at all, but use another mode of transportation instead. Fourth, he might not take the trip at all, but use some technological substitute for travel to accomplish the purpose of the trip somewhat less satisfactorily. That is, he might use the telephone, the mail, or telex. He might ask someone who is going to the same town to place a call for him. There are many substitutes more or less satisfactory according to the particular purpose of the trip. Finally, he might decide that the whole thing isn't worth it, when he considers the cost of the trip or its substitutes and might not take it at all.

ACCOMMODATION

Right now he makes a choice whose resource consequences are not made apparent to him and we attempt to accommodate him through airport planning. Under present circumstances, he thinks as follows: "I can drive to Los Angeles International Airport and take a five o'clock flight to San Francisco International. That is better than driving to another airport or flying to another airport, or using another mode, or not taking the trip at all." He does this by considering ticket prices which reflect only the *average cost* at all times for the use of the airport facilities. At the same time someone like me (I am a pilot) is walking out to his general aviation airplane and saying: "I think I could use some instrument approach practice at a busy airport" or "I think I would like to visit my Aunt Minnie in Blythe and since the airline service to Blythe is not so hot, I think I will take a general aviation airplane," and he taxis out and uses up a takeoff or a landing slot to do so. Neither of us consider that airport use at that hour might be more valuable to others, because the others *cannot express* their higher valuation through the allocation system now in effect.

Noise charges could be applied either federally or locally. At the federal level airplanes could be charged for their noise characteristics. Locally the noise factor charge could be varied from airport to airport depending on the scarcity of peace and quiet.

Q. *The vice president of the Southern California Edison Company was asked why they didn't raise their prices for peak load hours since the existing demand mandated more plants. He replied that it was impossible since the whole ethos of our civilization is more and more services for less money. Wouldn't a public outcry be required before this kind of a policy could be implemented?*

LEVINE: There is no such thing as a free lunch. It is impossible to have simultaneously more and cheaper electric power and a cleaner and cleaner environment.

In the same way if you want everybody to be able to travel by air whenever he wants to, to wherever he wants to, you are going to have to give up peace and quiet, and land used for things other than airports.

The users of electric power or airports should be required to bid against the environmentalists for the air and other resources. If the environmentalists are not willing to pay for clean air then they should not have it. At the same time there is no reason why the mass users of electric power or airports should be able to get part of their input free.

Most people would think it was very strange if a factory owner expected that he was entitled to all the steel he could get free or at a very low price. Somehow when he expresses this point of view about electricity or transportation everyone nods sagely and says, "That's right, that's the kind of society we need." That puzzles me.

Q. *The inertia of the voter is a major problem. Wouldn't a politician have to wait until there was an uproar and it became too expensive to live with the status quo before attempting any change?*

LEVINE: One of the biggest difficulties in ignoring these problems now, is that a great deal of mindless pressure for change is created. When the dam breaks and the politician has to do something he usually does the wrong thing. I think there will ultimately be a stupid and restrictive response to a great public outcry that will result in a crude restriction of demand.

Airport planning today involves accommodating the total demand which is experienced at prices which do not inform people that other people want to use those facilities at the same time. The planners ask, "How much demand will there be in the future?" and "What is needed to accommodate all of these people?" – Levine taxing out in his private airplane, the guy who wants to go to San Francisco at 5 P.M., but who might go at 5:30 P.M. or even be convinced to leave from Orange County Airport or some other place, as well as the guy for whom there is no substitute and who absolutely has to get to New York on a multi-million dollar business deal or because his favorite relative is dying and whose trip must take place without delay. Right now all of those people converge on the airport at the same time and make decisions based on the same price, which does not reflect the increased urgency or willingness of some people to pay more to use the airport at certain times.

The present procedure is analogous to giving washing machines away at a nickel apiece. You would find people using them for paperweights or ballast. You might also find them being used for washing clothes, and you might find them being used for washing clothes in situations where washing clothes is terribly important. But there would be a terrible waste of washing machines because the prices of the machines could not reflect the scarcity of the steel, labor, etc. that went into making them. Prices would not promote the highest use of the resources available, but rather the level of the *lowest* use possible at any given price. That is the situation we are in today with respect to airports.

SHORTAGES VS. WASTE

What has happened is that the world is changing. We could tolerate mistakes in allocation of airport services as long as airports and the air the airplanes fly through were not in short supply. A walk outside today will confirm that air is in fact in short supply, at least in Los Angeles. Right now there are people who demand cleaner air, cleaner water, and freedom from noise but they are not faced with the costs of providing them. Thus, the people who want airports and the people who don't want airports assert their demands in a situation where neither group has to pay for the inconvenience they cause to the other. The choice becomes an oversimplified question for political decision. An environmental group demands, "No more expansion at Los Angeles International Airport." The airline group argues "We've got to do something to accommodate this demand." The traveler says, "I want to go to San Francisco . . . ." None of these people ask themselves what human activities they are denying to the people who live in the community by insisting that there be no more airport expansion or insisting that the airport be expanded in order to accommodate demand or insisting on going to San Francisco at that hour.

The price system is a way to resolve some of these conflicts, but it has simply been ignored. *Resources continue to be used wastefully because people are not bearing the full costs that they impose on others.* When we say more airports are needed, what is really being said is we are willing to tolerate a great deal of waste in order to continue to accommodate demand in the face of mounting evidence that waste is less and less acceptable to both the public and the air travelers themselves.

CONGESTION AND DELAY

Examples of the kind of waste I am talking about are quite numerous, but let me give four. We know from what small attempts we have made to institute prices, that the demand for general aviation services at airports is what an economist would call very elastic; i.e., the quantity demanded varies tremendously with the price. At La Guardia, for example, where 40% of the peak hour operations were general aviation, a $25 minimum landing fee reduced them to 15%. That meant that 25% of the peak hour users did not value using La Guardia enough at peak hours to pay a $25 fee. The "solution" usually offered to the problem of general aviation peak-hour use is to get rid of general aviation. But some general aviation users, for example those 15% who are paying the high cost of using La Guardia at peak hours, apparently regard the services they are using as very important. We don't know, if the fee were $500, whether they would continue to use that airport, but one thing that can be done is to raise the fee to find out.

We would also find out, I would suspect, that airlines would schedule their flights a great deal less wastefully. You might find that flights to unpopular destinations or flights that were going out largely empty would be dropped or shifted to off-peak hours—hours when they do not impose such a heavy resource cost on the other users of the airport.

The airlines are apparently unhappy with the larger airplanes they have ordered. At the time they placed their orders, airlines were experiencing high costs associated with airport space and were prepared to incur costs in an effort to obtain equipment which conserved airport space. That is similar to people using less water when a water shortage creates a severe pressure drop. In effect, the airlines were experiencing average costs of delay which were so high that they were prepared to spend money to alleviate it. Now the average costs of delay have dropped to a point where the airlines are less eager to substitute larger equipment which conserves airport

"The price system is a way to resolve conflicts between people who want airports and those who don't –but it has simply been ignored."

space. At the same time they are still imposing costs on other users of airports—what an economist would term the *marginal cost of delay.* Using larger aircraft now is not a profitable thing to do because airlines are not charged for the space they are using on a peak hour basis. As a result, they do not take the scarcity of airport space into their equation when deciding what kind of equipment to buy and when to buy it. What we need to do is add meters to the system, so that incentives to conservation exist short of the crisis level.

NOISE POLLUTION

Quiet engines are another example. It has been estimated that all of the existing turbofan engines could be retrofitted with the Rohr quiet nacelle for an added cost of about 1% per ticket. If you do not have to pay for the damage you do to the eardrums of people who live near airports, even a 1% charge seems excessive and you are unwilling to institute it. As a passenger you are unwilling to pay it if you can avoid it, and you will pressure your elected representatives to make sure nothing like it ever occurs. As an airline you don't see a need for it. The reason you don't see a need for it is because no one has brought to bear on your decision that noise costs are very substantial, i.e., that airplanes making noise keep people from doing things they would otherwise like to do, like sitting out in their yards and barbecuing hamburgers. That may seem trivial to you, but we can only know whether it is trivial when we begin to charge airlines for the activities they prevent; e.g., for the number of hamburgers which will not be barbecued in Los Angeles as a result of the airport. If it is trivial the airlines will be perfectly willing to pay it and continue operations and you can expect that the hamburger people will be heard from less often, especially if the money is used to soundproof their homes or for some other method of reducing conflict.

At the present time noise is treated as a technological problem and not as a scarcity problem. Therefore, the incentive for technological improvement is weakened by the fact that the degree of scarcity is not made apparent to the users.

PEAKING

Finally, off-peak and on-peak use is an area in which great improvement can be made. The question is asked, "How can we legislate people into off-peak use?" The answer is, "You don't have to." You "legislate" in the same way you get people to go to matinees at theaters, or to eat the special at lunch which is available only from 11:30 to 12:15. That is, you get people to do it by charging *peak hour users' prices* that reflect the high demand at their hours. If airline fares reflected this, you would find that many trips could be made at off-peak hours. Delta Airlines has done very nicely, over the past five years especially, as a result of promoting night coach service at a price which reflects the lowered costs due to increased utilization of equipment at off-peak hours.

I am suggesting that we stop sacrificing the information that a pricing system would yield us about overall demand levels and total costs. If we price the scarcity of airports, if we price peak hour use, if we price airport location so that an unused airport with surplus capacity costs an airline less to fly into than an airport without excess capacity we will change the pattern of demand for airports. In the same way, charging different prices at off-peak hours than at peak hours will change patterns of resource use. If we rationalize the pricing of alternative modes so that a potential airline passenger takes into account his other possibilities and the costs they impose (that includes raising the price of automobile travel to reflect the cost it imposes on society and probably raising the cost of some rail travel to reflect the costs it imposes), we might find that that would be a bonanza for the telephone business, two way cable, or for corporations which make machines that transmit documents by telephone. Most of all it would be a bonanza for the public, which would get the output of goods and services that it wants at a total cost lower than at present and without many of the apparent technical problems in airport location and transportation choice.

AVIATION GROWTH?

Some growth in aviation may not be worthwhile and might not take place if prices are charged that reflected the resources cost of the user. The demands which are now projected for airports begin to climb exponentially as people become richer, as the demand for travel increases, and as they continue to fail to take into account the costs they impose: on the taxpayer through airport subsidy, on the local home dweller through tolerance of noise, and on breathers through air pollution and the like.

I'm not suggesting for a moment that aviation growth should be stopped. What I'm suggesting is that we have aviation growth at a level which reflects the preference of people for "aviation" things over "other" things. Right now they do not get to make the choice. We subsidize aviation growth. We in effect tell people that aviation is cheaper than it is, so that

"Some growth in aviation may not be worthwhile and might not take place if prices were charged that reflected the resources cost of the user."

when they choose things to do with their leisure time, they get a pilot's license instead of buying a boat, taking up tennis, or something else. If the true cost of resource use associated with general aviation were known and made known through the price system, I suspect many fewer people would elect to become involved in it. In the same way, many fewer people would insist on taking trips at peak-hours in half empty planes to destinations which they don't really need to go to if the costs of accommodating them were made known to them through the price system.

The reason we don't use TV sets and washing machines for paper weights and ballast is because other people who want to use the resources associated with producing TV sets and washing machines, make known their demands and pay the cost associated with keeping other people from using the labor and materials that go into washing machines and TV sets. As a result, TV sets and washing machines go to people who want clean clothes and to watch "All in the Family" rather than to people who have lower-valued uses for them. In this way, some of the resources that might be used to make "less-wanted" TV sets and washing machines end up making automobiles, transistor radios, phonographs, and other things which satisfy people.

In the same way, when we consider airport location and the need for an additional airport, the question we should ask is, "Have people shown that they want all of the capacity that we have now, at the prices associated with producing that capacity?" I think the jury is still out on that question.

ALTERNATIVES

Long Beach Airport is an under-utilized airport. It is one of the busiest airports in the country, but the great majority of operators are operators in general aviation training planes. Those operators might well be displaced if you charged prices that reflected the resource cost associated with the existence of the airport.

You may say that Long Beach Airport is very noisy and the local community is very unhappy. The answer is to use quieter airplanes. But, you claim, that is too expensive. The answer is that it will be less expensive to all concerned if we consider all the costs associated with using Long Beach Airport, and we should charge users prices that reflect that fact. Thus, we should charge higher prices to noisy airplanes than to quiet ones, and the airlines will make equipment choices accordingly.

We should not build Palmdale Airport or some other airport until we have established that we are using all existing capacity, that it is cheaper to build Palmdale Airport than to make further improvements in airplanes or in the air-ground interface at existing airports, and that travelers are willing to pay prices for use of Palmdale which will cover the cost of the resources necessary to build and operate it. But we have not begun to estimate true airport demand for Southern California. We know that Los Angeles Airport is nearly saturated in terms of demand for its uses at prices that do not reflect the resource cost of running an airport. We do not know what the demand would be if there were incentives to accommodate it more efficiently through the price structure.

FULL-COST PRICING

It is said that the communities will not permit more extensive operations at Burbank, at Orange County, or Long Beach, but that assertion is made for airlines using aircraft whose prices do not take into account the cost they impose on the community. Thus the only way the communities can defend themselves is to prevent airline use altogether, or to enact restrictive regulation like the "no flights after eleven P.M." rule at Burbank. If we had a set of prices for airport use that reflected the costs that airports impose on the community, airlines and manufacturers would have a much greater incentive to design aircraft compatible with the local environment, and the traveler might ultimately be faced with a choice like this: He could leave from a convenient nearby airport at a high ticket price that reflected the fact that heavily redesigned aircraft were needed to serve him at that airport, or he could leave at a much less convenient airport in the middle of an industrial area at a ticket price that was lower to reflect the fact that fewer costs were imposed on the community by aircraft operators at that location. Since that airport was less convenient to him he could then make a tradeoff between the more convenient airport at the higher price and the less convenient airport at the lower price.

If we are willing to devote millions of dollars and manhours to figuring out how to accommodate exponential rates of growth in air transportation, we should be willing to spend at least a few man-hours and a few thousand dollars, maybe even a million, to find out whether we need new airports at all or whether existing airports in conjunction with technological and institutional—that is *economic* and other—changes would accommodate the demand for air transportation. ◻

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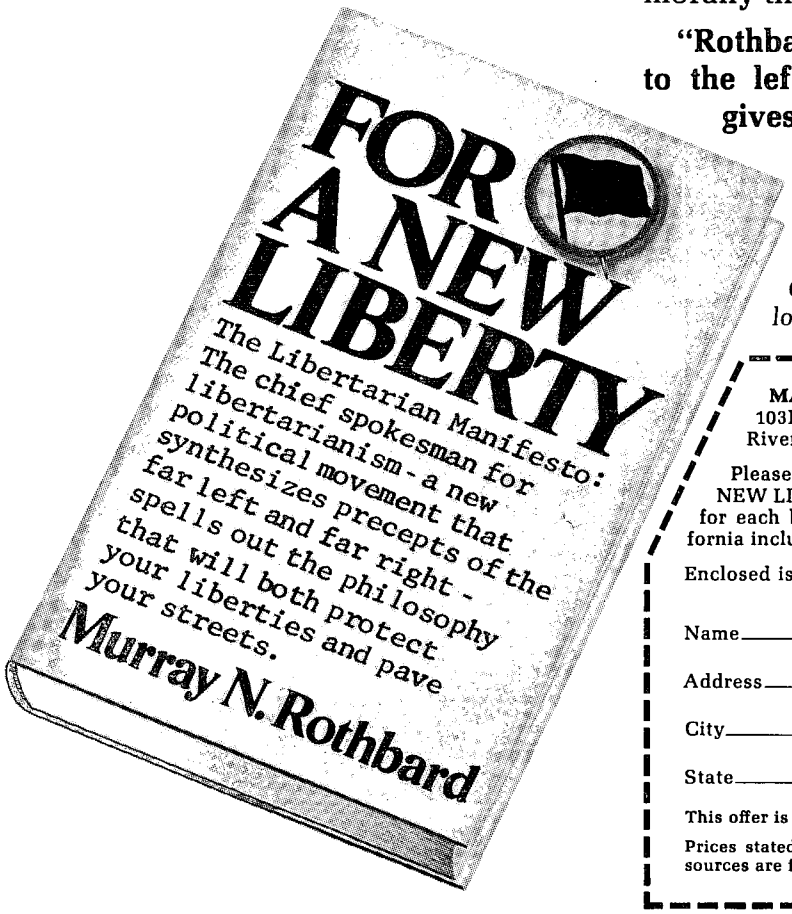
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In Defense of the

Chicago Approach to Economics

ALAN REYNOLDS

REASON *readers are aware of a lack of unanimity among libertarians on a variety of issues. In addition to the controversy as to* government *(compare* REASON, *March 1972* with *March 1973),* ecology *(compare* REASON, *August 1972* with *January 1973) and* abortion *(see* REASON, *September 1972 - January 1973),* REASON *has published articles analyzing the divergent views taken towards economic theory by the Austrian and Chicago "schools" of economic thought.*

In REASON*'s July 1972 issue, Alan Reynolds launched a provocative attack on Murray Rothbard's attack on the views of Milton Friedman, entitled "The Purge of Chicago Economists." Subsequently, a significant critique of Chicago monetary theory by Austrian economist Hans Sennholz was published in* REASON*'s Special Issue of October 1971. Sennholz argued that Milton Friedman's interpretation of business cycles and advocacy of government control of the money supply are erroneous, and dangerous, since they tend to invite inflation and to breed demands for additional governmental control. One main difference between the Austrians and Chicagoites—which is recognized by both sides—lies in their methodology, the Chicago approach utilizing rigorous empirical testing and the Austrians relying on a priori propositions and opposing empiricism.*

This month, Alan Reynolds returns for Round Three in the Austrian-Chicagoan debate, by way of rejoinder to the Sennholz piece. Reynolds is associate editor of NATIONAL REVIEW *and is a* REASON *contributing editor. He asked to acknowledge the helpful comments of Professor Roger Miller of the University of Washington, who saw the Sennholz piece (but not Reynolds' reply).*

The ongoing controversy has been of special interest to many of our readers, and REASON *intends to continue the Austrian-Chicago debate in future issues.*

In 1966, Israel Kirzner cautioned us "not to exaggerate differences" between the Chicago and the Austrian approaches to economics. A contrary approach was taken by Murray Rothbard when he asserted that the world's most famous supporter of free markets, Milton Friedman, was in reality a "statist".[1] Now, Hans Sennholz joins the chorus by claiming "Chicago and Austrian Schools are worlds apart" and "the differences are greater than the similarities."[2]

Actually, the two schools are not so much "worlds apart" as Sennholz claims. Except for their divergent methodological approaches,[3] the similarities are really more significant than the differences. However, the Chicago tradition continues to develop from its rough beginning; and economists in the Austrian tradition, by raising the mouldy remains of Chicago economists Irving Fisher and Henry Simons, avoid confronting the live and growing spirit of *current* Chicago thought.

FUNCTION OF MONEY

"To the Chicagoans," says Sennholz, "the ultimate function of money is the measure of values. . . . If only the price level could be stabilized and thus money be permitted to serve its true function! To the Austrians . . . individual demand and supply ultimately determine the purchasing power of money. . . . They reject the quantity theory of money as a manifestation of holistic thought and a tool for government intervention."[4]

This is badly jumbled. To Chicagoans, money functions as a temporary storing place for buying power. The stability of the price level (the value of money) is unimportant if its rate of change is completely anticipated. A Chicagoan would say that the price

level is that level at which the demand for money (as a proportion of wealth) equals the money supply, which is essentially identical to the "Austrian" quantity theory.

We might also ask why the aggregation of monetary supply and demand is simply dismissed (without argument) as a "manifestation of holistic thought," while no such reservations prohibit Sennholz from talking about some elusive, aggregated "consumption-investment ratio." Are Chicagoans alone supposed to make no remarks whatsoever about the economy as a whole?

Dr. Sennholz worries that Chicagoans' conclusions "are drawn in the sphere of macro-economics in which the total money supply and a given velocity determine the price level. Here they call on government to take measure to stabilize the level and thus cure the business cycle." This is another distorted caricature of the Friedmanite position. If Chicagoans think velocity is "given", why have they worked so hard to measure and explain its movements?[5] True, Chicago research conclusively shows that the functional relationship of velocity to its determinants is fairly stable and predictable, but this is a long way from saying velocity is "given".

Sennholz' objections to "stabilizing the price level" likewise involve a devious simplification. Does Sennholz' rejection of price "stability" mean that if tomorrow most prices are half or double what they were today, there would be no cause for alarm? Does he seriously suggest that erratic, unexpected shifts in prices have no effect on production and employment decisions?

Now, David Friedman once noted a misleading impression in my essay "The Purge of Chicago Economists" (*REASON,* July 1971) where I implied, in his words, that "no ill effects follow from an increase in the supply of money just sufficient to maintain a stable price level."[6] By that I intended to suggest only that the usual objections to inflation apply only to *unanticipated* changes in prices (i.e., wealth transfers from debtors to creditors, frictional costs in adjusting to changing prices, and trade-offs between inflation and unemployment). If contracts were to be automatically adjusted to a price index, or if changes in the price level were fully anticipated, it really wouldn't matter much whether we had inflation, deflation, or price stability. It is, however, technically correct to say that even with anticipated inflation, there may be some minor redistribution of wealth, a decline in the real value of cash reserves, and an uneconomic use of productive resources to substitute for holding greater cash balances.

This is one of many instances in which Milton Friedman has evolved beyond the early monetarist tradition described by Sennholz. In his earlier writings, says Dr. Friedman, "I simply took it for granted, in line with a long tradition and near-consensus in the profession, that a stable level of prices of final products was a desirable policy objective." While Friedman has supported a moderate increase in the money supply, as a long-run objective he has suggested that "a policy fairly close to the optimum would probably be to hold the absolute quantity of money constant."[7] This would imply a stable *downward* trend of prices at the rate of about 4-5% a year (with 3-4% annual output growth).

GOLD STANDARD

So, Milton Friedman explicitly advocates zero or negligible monetary growth with price deflation. Where does that leave a tremendous difference between Austrian and Chicago schools? Well, for one thing, Chicagoans (and Hayek—the chief architect of Austrian cycle theory) doubt the feasibility of establishing a genuine and viable gold standard, and deny that if a gold standard were established it would automatically prevent excessive fluctuations in the money supply. There simply isn't enough gold to support the existing structure of prices, nor could velocity be stretched to fill the gap. No one, to my knowledge, has shown how the economy could adjust, in a reasonably short period, from a money supply of 450 billion dollars to one of about 10 billion dollars. Secondly, the wishful thought that instituting free banking would automatically ensure against excessive issuance of bank notes and demand deposits (without central bank control) has not been rigorously demonstrated and contradicts our limited historic experience. And finally, the stock of gold can fluctuate substantially (it more than tripled from 1897 to 1914).

But it appears, contrary to what Sennholz implies, that inflation of the money supply is *not* the primary concern of Austrians. Mises himself has said, "There is practically no need today to enter into a discussion of the comparatively slight and *harmless* inflation that under a gold standard can be brought about by a *great* increase in gold production."[8] Austrians apparently want a gold standard regardless how it performs. While Sennholz presumably accepts his royalties in the form of a check, and then converts that check into currency, he simultaneously denies that such checks and currency are money: "money is a marketable commodity, such as gold or silver." This is yet another example of the Misesian propensity to "solve" problems by definition.[9] If fiat money isn't "money", then only a fool would choose such paper over gold (regardless of their relative purchasing power, stability of value, or convenience in use).

Unlike Rothbard, Dr. Sennholz admits that "Professor Friedman would not deny us the freedom to

"Both the Chicago and Austrian schools want free use of gold and elimination of legal limits on interest rates."

buy, hold, and use gold in all economic exchanges, but paradoxically he would also impose [sic] a fiat standard." Friedman seems, Sennholz continues, "to be unaware that monetary freedom would soon give birth to a 'parallel standard' that permits individuals to make 'gold contracts' and 'gold clauses' calling for payment in measures of gold." Far from being unaware that some people will use gold to conduct transactions, Dr. Friedman explicitly cites it as a benefit of denationalizing gold.[10] If, as Sennholz prophecizes, freedom to trade in gold "would lead us back to the gold standard," then Chicago and Austrian policy prescriptions may once again lead to the same conclusion. Both camps want free use of gold and elimination of legal limits on interest rates (especially of the zero-interest ceiling on demand deposits), so why not work together for these reforms and see if they prove sufficient to generate a money unit of predictable value?

BUSINESS CYCLE THEORY

One final difference does remain: "The monetarists actually have no business cycle theory," according to Sennholz. In a sense, this is certainly true. If it means that monetarists have no explanation for the regular, periodic booms and busts which are supposedly endemic to capitalism, no such explanation is possible because the phenomenon does not exist.[11] *The whole idea is an anticapitalist myth.* What we do experience is whimsical fluctuations in governmental interventions of various sorts, particularly in monetary affairs.

What we have then isn't "business cycles", but *government* cycles. So, Friedman proposes not to extend the uncertainty of government discretion over some nonexistent flaw in private markets, but to subject existing governmental authority to the limits of the rule of law. This is a vital distinction between Keynesian and Friedmanite policies.[12] It also refutes Senholz' strange notion that the quantity theory is "a tool for government intervention." The truth is the exact opposite.

On the other hand, monetarists do, of course, have an extremely well developed and documented explanation of the "real balance" mechanism by which changes in the relationship between money supply and demand affect prices, production and employment. A simplified version of the monetarist explanation of inflation, for example, is as follows: "If the supply of cash balances is increased beyond the amount which people wish to hold, relative to their wealth, they will spend the difference, thereby bidding up prices (which reduces the real value of their cash holdings)."[13] Disappointed expectations, as well as the time and expense required to stay informed about changing job offers, also help to explain how unanticipated money supply changes affect production and employment through unexpected variations in prices and wage rates. These theories have been elaborated with great precision and "sophistication" in many articles and books.[14]

In contrast to the Chicago school, Austrians were unable to mount an effective challenge to Keynesian ideas because both Austrians and Keynesians prefer theorizing in an empirical vacuum, both deny the direct influence of the money stock on aggregate demand (the real balance effect, as opposed to the influence on Investment via interest rates), and both claim to find the key to economic fluctuations in the division of national income between investment and consumption.[15]

The Misesian cycle theory hangs precariously on a crude theory of interest rates. Sennholz tells us, "The introduction of fiduciary funds falsifies interest rates and thereby causes erroneous investment decisions." The injection of funds only lowers interest rates if there is an *unanticipated* inflation of *prices.* Nominal interest rates will be the same as real interest rates if the money supply is increased just enough to offset increases in real income, population, and the proportionately higher demand for money associated with rising wealth. Sennholz is wrong, then, in claiming that falsified interest rates cause "booms and busts in every case of credit expansion, from one percent to hundreds of percent." Actually, if lenders expect price inflation they will demand correspondingly higher interest rates, as they did in the late 'sixties, so that monetary injections will indirectly cause nominal rates to be *above* real rates rather than below. This is the complete antithesis of Mises' theory. In any case, savings and investment decisions are generally made on the basis of *real* interest rates, adjusted for inflation, so falsified nominal rates are as irrelevant as they are unlikely.

Moreover, in dismissing Friedman's approach to depressions, Friedman's suggestion—that having over one-third of the money supply wiped-out by bank failures created sizable problems—is simply denied by Sennholz as "mistaking symptoms for causes." The money supply causes inflation, the Austrians admit, but it can't possibly cause depression.

CONCLUSION

To summarize some of the main points:

• Austrian and Chicago quantity theories differ significantly only in the failure of the former to comprehend and keep up with recent developments in analysis and research.[16]

• No discussion of the economy as a whole is conceivable without somewhat imperfect lumping-together of quantities such as "the" demand for money, or "the" interest rate, or "the" level of investment. Since neither Austrians nor Chicagoans can avoid such "macroeconomics", the real issue is which theories have the best predictive power.

• Milton Friedman advocates a restrained increase in the money supply with a constant money supply as a long-run objective; a stable decline in the price level; unrestricted interest on demand deposits; and free trading in gold for all purposes including monetary.

So what is this big split between Misesians and Friedmanites all about? In brief, Sennholz, like Rothbard, appears to be creating distinctions where none exist by not focusing on *current* Chicago opinion. In the few cases where differences are both genuine and significant, no attempt whatsoever has been made to provide a direct response to the Chicago challenge. To pretend to criticize Chicago economics in a manner so obscure and evasive is surely a backhanded compliment to the formidable nature of Milton Friedman's thought. ◻

NOTES AND REFERENCES

[1] M. Rothbard, "Milton Friedman Unraveled," *INDIVIDUALIST,* Feb. 1971. Compare the more balanced effort of Israel Kirzner, "Divergent Approaches in Libertarian Thought," *INTERCOLLEGIATE REVIEW,* Jan.-Feb. 1967.

[2] H. Sennholz, "Chicago Monetary Tradition in The Light of Austrian Theory," *REASON,* Oct. 1971, printed in *TOWARD LIBERTY* (Inst. for Humane Studies 1971).

[3] See my article discussing "Chicago" and Austrian methodology, "Economics, Ethics, and Epistemology," *REASON,* February 1972.

[4] This quotation and later textual references to Sennholz are found in his *REASON* article, note 2, *supra.*

[5] For a concise survey of research on "velocity," see D. Laidler, *THE DEMAND FOR MONEY: THEORIES AND EVIDENCE* (Intl. 1969) pp. 89-123 and sources cited therein. Also M. Friedman, *STUDIES IN THE QUANTITY THEORY OF MONEY* (Univ. of Chicago 1956): "The quantity theory of money is in the first instance a theory of the *demand* for money."

[6] See David Friedman's letter, and my imperfect reply, in the October 1971 issue of *REASON,* pp. 35-36.

[7] M. Friedman, *THE OPTIMUM QUANTITY OF MONEY* (Aldine 1969) pp. 45 & 48.

[8] L. Von Mises, *PLANNING FOR FREEDOM* (Libertarian Press 1952) p. 80 (emphasis added).

[9] Criticism of other such definitional "solutions" can be found in my reply to William Stoddard, *REASON,* Oct. 1971 p. 35.

[10] Cf. "A Golden Gift" *NATIONAL REVIEW,* 8 Oct. 1971, p. 1100.

[11] "That there have been fluctuations in the numerous indices of economic activity is apparent; that these fluctuations have been sufficiently neat and coherent, generated by an automatic mechanism, to warrant the label of 'cycle' is not so apparent."—A Alchian & W. Allen, *UNIVERSITY ECONOMICS* (Wadsworth 1964) p. 687n.

[12] J. Culbertson, *MACROECONOMIC THEORY AND STABILIZATION POLICY* (McGraw-Hill 1968) pp. 535-39.

[13] A. Reynolds, "The Case Against Wage and Price Controls" *NATIONAL REVIEW,* 24 Sept. 1971, p. 1053. See also my "Unions: Scapegoat for Inflation" *IBID.,* 31 Dec. 1971.

[14] See, for example, M. Friedman *A THEORETICAL FRAMEWORK FOR MONETARY ANALYSIS* (N.B.E.R. 1971); E. Phelps (ed.), *MICROECONOMIC FOUNDATIONS OF EMPLOYMENT AND INFLATION THEORY* (Norton 1970); R. Miller & R. Williams, *THE ECONOMICS OF NATIONAL ISSUES* (Canfield 1972).

[15] Cf. A. Reynolds, "Epistemology, Ethics and Economics" *REASON,* Feb. 1972; and D. Patinkin, *MONEY, INTEREST AND PRICES* (Harper & Row 1965) p. 636. As Friedman implies in *THE OPTIMUM QUANTITY OF MONEY, supra* note 7, p. 189, Austrian "monetary" theories are actually "credit theories misnamed."

[16] "Such development as has occurred since the 'twenties has been mainly in the contributions of the Swedish School (spoilt by the Keynesian influence), in those of the Chicago school (particularly Milton Friedman), the works of ... Dennis Robertson and in those 'refinements' of Keynesian theory ... which have in fact, if not in form, amounted to a recantation." —W. H. Hutt, *KEYNESIANISM: RETROSPECT AND PROSPECT* (Regnery 1963) p. 90.
Dean Hutt, incidentally, acknowledges the obvious influence of Mises, but also acknowledges an intellectual debt to those in the allegedly antagonistic monetarist tradition: Simons, Fisher and Warburton, *IBID.,* pp. x & 186. Irving Fisher's interest theory, for example, is clearly part of the *Austrian* tradition: Cf., M. Blaug, *ECONOMIC THEORY IN RETROSPECT* (Irwin 1962) p. 478.

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Most corporate financial reports appear to tell you more than you really care to know. You skip the arcana and look at the earnings figure. If it's more than last year you smile and if it's less you frown and wonder why you didn't sell the stuff when it was up in April. If your broker is trying to unload a hot one on you he'll tell you about how the earnings have been/are going to compound and what a low price-earning ratio it's selling at.

All of this turns on the company's present or future earnings and vast sums of money change hands on the basis of these figures. You know a company's earnings because they publish reports full of charts and numbers, and the honesty of the whole thing is attested to by independent auditors who say something to the effect that they think these figures are all right.

Basically, earnings is a fairly simple concept. You subtract your expenses from your income and what's left is your earnings. And you know it's there because the auditors certify that the company earned, say, $1,247,853.57 last year. Now if they said the company earned about one and a quarter million give or take a little you would be put on guard that maybe they were guessing, but a nice clear, black $1,247,853.57 has the ring of certainty and conviction about it, as if to say you could actually go down to the bank and count it all, down to the last fifty-seven pennies.

The only problem with this is that neither expenses nor income may mean the same thing that you think they mean, and that $1,247,853.57 almost certainly isn't there.

TREATMENT OF EXPENSES

Let's take the concept of expenses. The company gets a $50,000 invoice for a piece of equipment. That's an expense (never mind that you haven't paid the bill yet, the expense has accrued). Simple enough so far. But what if you are going to be using the equipment over the next several years. The reasonable practice would be to charge the expense against earnings over the period of years that the equipment is contributing to those earnings. How long will you be using it. Hard to say; there's not only the question of when it will wear out but the possibility that a change in the market or a change in technology would reduce the value of the equipment before it wore out. So you make an educated guess and say 5 years. That means that $10,000 will be charged against earnings each year. On the other hand, if you took 10 years your earnings would be reduced only by $5000 each year. Both periods might be acceptable, given the considerations mentioned before. In some of the new high technology glamour fields, nobody knows the useful life of the equipment because no one has even had any of the stuff long enough for it to wear out.

We note, however, that two companies with the same income and expenses will show different earnings simply as a result of the length of the depreciation period used on its equipment. And so, since earnings are what makes a company's shares go up, it is not beyond the range of possibility that management might tell the accountant to stretch out the depreciation of the drill presses in order to beef up reported earnings.

You don't have to do this with just capital equipment. You can capitalize the cost of installing capital equipment. You can even amortize what would otherwise seem to be everyday operating expenses. For example, research and development expenses could reasonably be capitalized and written off over a period of years since they will be benefiting the company in the years ahead.

A current controversy over this issue is being waged in the oil and gas industry over what is called "full cost" accounting. Under full cost accounting, all exploration and development costs are capitalized and written off over a period of years, whether the particular expense resulted in a producing well or not. This permits the company to write off its expenses over a period of years, rather than take them now (by "take" we mean show them for accounting purposes; the cash has already been paid out--maybe). This results, as you might guess, in a great improvement in the earnings statements of the companies using full costing. The system is currently used by firms accounting for 13% of the industry's production, and is spreading rapidly, according to the *WALL STREET JOURNAL* (4/28/72).

INCOME MANIPULATION

If expenses can be a slippery subject, so can income, thanks to the wonders of accrual accounting. Probably the most famous example of this type of creative bookkeeping occurred several years ago in the shell home industry. According to the shell home concept, a company would put up the outer shell of a home and the purchaser would work evenings and weekends to finish the interior work and save money by avoiding a lot of high cost craft unions. The shells were sold on installment contracts with a few dollars down and a century or so to pay. The builders, however, accrued the full sales price on their books when the contract was made and the down payment was received, on the theory that they had already "earned" the money and it was simply a matter of time before they actually collected it.

As you might guess, this bit of accounting sophistry didn't hurt their earnings at all, and their stock went through the roof. A few years later the fad died out; purchasers decided that doing their own plumbing was a dumb idea and began walking out, abandoning their $50 deposits. Needless to say, despite their marvelous reported earnings, certified by auditors, the shell home companies' investors took a bath.

Just about any company which enters into multi-year contracts could justify the practice, and unless you heed the footnotes in the annual report, there's no way you can tell whether what they call earnings is what you call earnings. Manipulation of income and expense items such as these are what analysts mean when they refer to the "quality" of earnings.

UNRESOLVED ISSUES

In the short term, the results of accounting techniques such as full costing will be to boost earnings and share prices in firms adopting the device. The accounting profession is in a turmoil at this time and there are strong currents pressing both ways in industry and government, so the matter is anything but resolved.

A longer term view raises certain problems. Most obviously, such devices as capitalizing expenses will result in inflating earnings and give the appearance of health to a firm which may in fact be sliding into bankruptcy. They may simply not have any money to show for their earnings.

A more serious problem arises from the interaction of inflation with these liberal accounting techniques. Because the value of the dollar is constantly declining, some portion of an expense item is lost each year that the item is deferred; consequently, costs will never fully be recovered and the real value of the company's capital base will be constantly diminished. The corporation will pay income tax on what is, in reality, a recovery of its capital.

On the other hand, it sometimes happens that a company gets in a position where it can't continue to defer expense items. The management may decide, 'what the hell, let's take a bath this year and be done with it'. So they recognize some extraordinary expenses, write off a bunch of stuff that should have been written off long ago, and take a big drop in earnings or even a loss. While this can be very disheartening if you just bought the stuff it may also mean that the company is now showing a more realistic balance sheet. If the public at large has dumped the stock and you see that these write-offs will probably be nonrecurring, this may be an opportunity to buy in at a bargain. On the other hand, it may also be a prelude to even bigger write-offs, or even a bankruptcy, so have a care.

RECOMMENDATIONS

So what's a body to do? The last thing in the world we need is a law to tell firms how to report their earnings. Companies are different and do need different approaches. In many cases these exotic accounting devices are used because they really are the best reflection of the company's situation; the fact that they hypo the company's reported earnings is purely a pleasant coincidence. Government intervention in the field has already spread as much darkness as light. As an example, the accounting profession decided that the tax benefit from the recent investment credit should be spread over several years rather than taken all at once and distort earnings. Well, Congress decided that distorted earnings were exactly what it had in mind when they adopted the tax credit and stepped in by law and required firms to take the credit all at once to boost corporate earnings and spending. As another example, the Federal Power Commission, against heavy industry objection, a few months back stepped in to require natural gas companies to use a form of full costing to encourage exploration for natural gas. In both cases, the government action was motivated by what must be called "political" considerations, rather than any disinterested desire for accurate bookkeeping. As the Psalmist tells us: "Put not your faith in princes."

So, if you care what the earnings of a company are, you'll have to get the annual report and read the footnotes and try to figure out what they *really* earned. The company probably paid their accountants a lot of money to keep you from figuring it out, so you may have some work ahead of you.

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foreign correspondent

GHENT, BELGIUM

Abortion is the hottest topic here these days. Dr. Peers, a gynecologist from the Walloon town of Namur, has been arrested for having committed numerous abortions. This has provoked lots of demonstrations and public statements, pro and con. Most statements however, demand the liberation of Dr. Peers and the legalization of abortion. Even Catholic organizations seem divided. The Association of Female Catholic Workers has proclaimed its opposition to abortion for any but purely therapeutic reasons (even this conservative statement, however, already goes beyond the official episcopal statement—by the bishop of Ghent—rejecting abortion for *any* reasons), but the organization of students at the Catholic university at Louvain and a Catholic medical organization both demanded liberation of Dr. Peers and "adaptations" to abortion legislation. At this moment, it seems likely that "adaptations" indeed there will be; how far they will go is another matter. They will certainly stop short of "abortion on demand", wanted by women's liberation groups.

Important in all this could be the fact that we have a new government now, with Senator Calewaert (author of a bill to partially legalize abortion) and, as replacement for the conservative Mr. Vranckx, Mr. Vanderpoorten from the Liberal Party for Freedom and Progress, as the new Minister of Justice. The new government, which was established in order to command a bigger majority in parliament, is a so-called national union coalition, consisting of what used to be three parties, but which are now five: the still-united Belgian Socialist Party and then the Christian Social Party and the Party for Freedom and Progress, each being divided in separate Flemish and Walloon parts.

Last year, the Flemish Party for Freedom and Progress held a congress about "ethical" problems (roughly equivalent to "social issues" in the U.S.A.: drugs, abortion, pornography, censorship, divorce legislation, etc.) and came up with some surprisingly progressive conclusions and policy statements. Those may become even more important, now that the liberals are inside the government. Reactions to the congress were mixed, of course, but the fact that even some Catholics reacted favorably is significant.

One who certainly will *not* react favorably the day something changes is the mayor of Ghent, who regularly sends police to theater performances or picture exhibitions of a "perverse" kind. Recently he complained about the waning of the true Christian spirit.

Where that "Christian" (i.e. authoritarian) spirit seems to be quite alive is in the problem of gambling. Suddenly, more and more local administrations start prohibiting jackpots on their territory. A popular left-wing magazine, always pleading for tolerance towards, e.g., drug users, doesn't have a kind word for those "capitalist gamblers". When I pointed out their inconsistency, they

found nothing better to answer than "repression need not always be bad."

DEVELOPMENTS IN HOLLAND

In the meantime, Holland is miles ahead of Belgium in the area of cultural freedom: nakedness, even on public television is no longer even an issue, and soft drugs are de facto legalized (with perhaps an exception still for the trade in huge quantities). Even concerning hard drugs, the tendency is rather towards tolerance than repression. The only time, recently, when some people thought things were going too far, it was, typically, not because of "ethical" issues, but because a television show ridiculized the queen, showing her while she was peeling potatoes, etc.

It should be noticed, incidentally, that in Holland as anywhere else, it is the right-wingers (in casu the liberals and democratic socialists), the presumed defenders of free enterprise, who favor wage and price freezes as a means to "fight inflation".

When, some months ago, you heard about Belgian shopkeepers striking against taxes, this may have gladdened your libertarian heart. It may sober you to learn that, among the demands of the strikers also figured: higher state-granted pensions and measures against the increasing number of supermarkets. Since the supermarkets offer better service and prices to the consumer, a lot of shopkeepers have been put out of business because of them.

Guy de Maertelaere

book review

Reviewed by Tibor Machan

KISSINGER, THE USES OF POWER. By David Landau. Boston: Houghton Mifflin Co. 1972. Pp. 270. $5.95.

Such books as this are a difficult task for me to review. This is because the men in focus deal with matters that are by their very nature inimical. Yet these men act and produce consequences for everyone. And it won't do imply to declare of them that they're immoral and beyond worth of serious notice. They matter to us a lot. And they could be less immoral than simply dangerous (as well as instructive). Those claiming to know what's right and wrong with men and nations *must* comprehend the role and function of men like Kissinger.

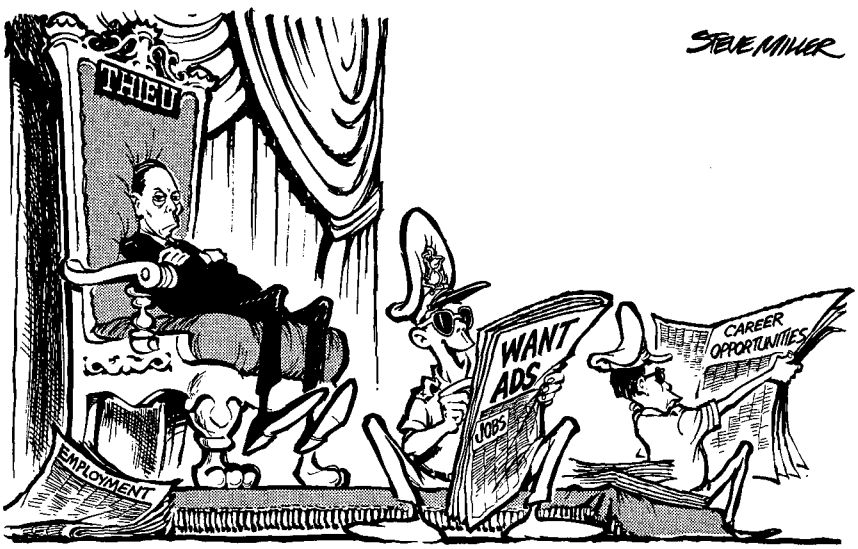
Landau's book reads smoothly. It reveals to us almost all of what we need to know in order to understand the actions of the Kissinger/Nixon team in foreign affairs. More than that, the book tells us a good deal of why one's view of man and of nations, believed to be important and worthy of propagation, must be nurtured from within the mind, in a highly personal, individual fashion. Politics just won't yield to anything else.

The most significant portion of this book is Part I, the *Prologue*. Here, Kissinger's thinking is put before us: his most basic ideas, the sources of his political behavior unfold. (Landau's program is to reveal Kissinger in the context of America's Vietnam policy, after sketching the outlines of the man's basic convictions. There is too much of "Landau on Vietnam" in Part II of the book; other sources, better than his, can do more for an understanding of the US/Vietnam debacle.)

If ever there is a profound influence of philosophy in any powerful man's life, Kissinger exemplifies it well. The personal background of the man links him with German intellectual history, and he did the most to explore that history and visibly draw from it his own stance. Although Kissinger is Harvard educated and has no formal educational ties to Germany, the tendencies to view matters from the perspective of a tradition-bound man-of-intellect are evident in his personal and intellectual development. Much of what Kissinger/Nixon have done recently can best be understood in this light.

DEBT TO HEGEL

Broadly, Kissinger owes his fundamental philosophical outlook to Hegel. Not a passive/revolutionary determinist(!) of the Marxist variety, nor an active agent in the tradition of heroic romanticism, Kissinger is the man who sees the function of the international politician as the valiant pragmatist, the actor with a paradoxical sense of prevailing skepticism: action is necessary, "right" is unascertainable in the planning stages (right is hindsight and historical), and the overriding purpose is restrained survival and the avoidance of catastrophe. The business of the man who plays this part is perpetual *rearguard* action; no positive commitment—the game itself requires the aura of fierce, ideological anti-ideologism; the moral *sentiments*—and that is all that they can be for a pragmatist/Hegelian—must not take a determining hold; primarily careful balancing, confident but unselfcon-



scious tightrope action is called for. Here is Kissinger himself:

> When Alexander insisted on the major part of Poland, not on grounds of expediency but as a moral "right," he was not raising the issue to a more elevated plane, but posing a dilemma which might unleash a new round of violence. For a "right" is established by acquiescence, not by claim, and a claim not generally accepted is merely the expression of an arbitrary will.
>
> . . . [I] t is the essence of a moral claim that it cannot be compromised, precisely because it justifies itself by considerations beyond expediency. (p.28)
>
> . . . This is the paradox which the fanatic, however well-intentioned and however sincere, introduces into international relations. His very claim to moral superiority leads to an erosion of all moral restraint. (p. 29)
>
> . . . True conservatism implied an active policy . . . . (ibid.)
>
> The statesman manipulates reality; his first goal is survival; he feels responsible not only for the best but also for the worst conceivable outcome. His view of human nature is wary; he is conscious of many great hopes which have failed, of many good intentions which could not be realized, of selfishness and ambition and violence. He is, therefore, inclined to erect hedges against the possibility that even the most brilliant idea might prove abortive and that the most eloquent formulation might hide ulterior motives . . . . To the statesman gradualism is the essence of stability; he represents an era of average performance, of gradual change and slow construction. (p. 33)

PORTION OF VALUE

I am not *recommending* this book. Not, at least, for outright purchase—there are many better works on American foreign policy, something that Landau deals with far too broadly and with too many underlying assumptions of his own that are undiscussed. But if one can, he ought to pick it up and read the first 70 or so pages, parts where Kissinger's personal and intellectual growth is outlined. For anyone with an understanding of the relationship between an individual's (especially intellectual's) moral/philosophic premises and the likely consequences these will have in his actions on any front whatever, such a reading will be of value. For my part, the issue is this: when one's vision is set by Hegel and the fear of ideology, when he is basically committed to an active/defensive stance, and when he has absolutely no concern with individuals and their *rights,* the job of diplomat-at-large is well suited; but then that job itself, as that of the taxcollector and the vice squad chief, has little to justify it. Yet, it must be coped with, it must be put into perspective and it needs be defined in relation to one's goals—just in case one may land it and seeing no one trustworthy enough to possess such powers, might move to dismantle it with finess *and* success. At least if one has as his goal the overall dismantling of nation/state reality and diplomacy; the goal, in short, of a free world.

REASON *associate editor Tibor Machan is assistant professor of philosophy at State University College in Fredonia, New York.*

movies

REVIEWED BY CHARLES BARR

• **THE LIFE AND TIMES OF JUDGE ROY BEAN** is an amiable, often lively mock-heroic western, similar in tone and spirit to *BUTCH CASSIDY AND THE SUNDANCE KID* but somewhat different in theme and story. Paul Newman gives an inspired performance as Roy Bean, a Texas outlaw who is beaten, robbed and nearly killed by an even worse bunch of thieves and murderers in the anarcho-badlands west of the Pecos. Saved by a Mexican girl, he returns to finish off his attackers in a blazing gun battle, gets a case of law-and-order fever, decides to stay and sets himself up as a one-man limited government. (The movie contains quite a bit of libertarian symbolism, if one is inclined to look for it.) With the aid of four deputies and a beer-guzzling grizzly bear, Judge Roy Bean dispenses law and order primarily by means of public hangings, supporting himself and his colleagues with the loot recovered from outlaws. It is high and mighty adventure for a while, and Roy Bean's career is finally ended not by badmen but by the changing times. The movie's lusty, free-wheeling atmosphere is abetted by first-rate photography and fine (if often too brief) supporting performances. Victoria Principal plays the lovely, soft-spoken girl who saves Roy Bean's life. Jacqueline Bisset, as Bean's daughter, is as flinty and hard-headed as the Judge himself. Roddy McDowall is at his evil best as an opportunistic lawyer who eventually brings a different kind of law and order to the territory. Ava Gardner makes a rare appearance as Lillie Langtree, a famous actress whose posters adorn Bean's headquarters. John Huston takes a brief time-out from directing the movie to play an old mountain man who has come down to die. A few of the scenes, such as the initial gun battle, are not quite believable, but what the movie lacks in credibility it more than makes up in exuberance. Rated "PG".

• After seeing the movie **1776,** I have only one question: What's all the fuss about? Since it first appeared four years ago as a Broadway play, *1776* has received an inordinate amount of praise and condemnation. A musical drama based on the signing of the Declaration of Independence, the film has been lauded for "humanizing" the founding fathers and "telling it like it was," and denounced for "vulgarizing" the founding fathers and making them appear as "buffoons." I don't agree with either side—but I did enjoy the movie. The characterizations (with a few exceptions) are only cardboard-deep, but one does get a sense of active, intelligent men embarked upon a serious mission. There are some moments of levity, but only once, during a song by Ron Holgate as Richard Henry Lee, does it get out of hand. William Daniels as the hot-tempered patriot John Adams is the chief protagonist, and his is the best-realized role in the film. Howard da Silva fits perfectly my own preconceived notion of what Benjamin Franklin was like. Ken Howard is rather silent and aloof as Thomas Jefferson. The film is weakest in the musical sequences, many of which distract from the main

action. By far the strongest scenes are the debates between the patriots and the Tories, the slaveholders and the abolitionists during the attempt to hammer out the Declaration. Even if oversimplified, the issues are brought out in the movie and dramatized in word and song. A "theatrical" tone has been transferred from the stage play to the movie, but this seems appropriate in view of the subject at hand. Despite its simplifications and occasional digressions, *1776* is a positive tribute to America's revolutionary heritage. Rated "G".

• The spring entry from Walt Disney Productions is **THE WORLD'S GREATEST ATHLETE,** and in many respects it is not a typical Disney movie at all. The story is about Nanu (Jan-Michael Vincent), an incredibly swift and strong jungle boy who is lured to America by two college coaches (John Amos and Tim Conway) to save their fading careers. They plan to make him the world's greatest athlete, and after a period of training he is entered in *all* the events at the NCAA track and field competitions. Complications arise, including the boarding of Nanu's pet tiger, his involvement with his tutor, Jane Douglas ("Me Nanu, You Jane"), a bit of sorcery with voodoo dolls, and the unexpected arrival of his godfather, a witch doctor (Roscoe Lee Browne), who accuses the coaches of exploiting their prodigy. So far, so good—and typical Disney. But now for the surprises. The script, by Gerald Gardner and Dee Caruso, contains a fair amount of low-comedy slapstick but also a remarkable amount of sophisticated humor and satire. In a cameo role, for instance, sportscaster Howard Cosell is hilarious in a lampoon of his own image. Some of the humor, however, is in questionable taste; one of the jokes is made at the expense of a deaf man. A bit of contemporary satire is thrown in, as the witch doctor reveals to a group of M.D.'s that he has discovered a cure for the common cold. "The pharmaceutical companies have given me $20,000," he says. "To continue your research?" "No, to keep my mouth shut." Perhaps the most startling departure is the introduction of moral complexity in the usual black-and-white world of Disney. The head coach lies to Nanu to trick him into coming to America, and when Nanu discovers this he confronts the coach with the lie. In attempting to justify himself, the coach says, "Sometimes, if you want your dream to come true, you've got to *make* it happen." Nanu eventually accepts this explanation, and the coach is allowed to get away with his trickery. Whatever one's evaluation of these changes from the tried-and-true formula, it appears that Disney Studio is taking some tentative steps toward the real world, and away from the cotton-candy never-never-land of many of its previous films. Rated "G".

In a scene from the movie 1776, *William Daniels as John Adams and Howard da Silva as Benjamin Franklin discuss strategy during debate over adoption of the Declaration of Independence.*

• From the more than 50 movies I have seen in the past year, here are my picks for the "bests" of 1972:

Best Picture: **BUTTERFLIES ARE FREE.**
Best Actor: **JON VOIGHT** in *DELIVERANCE.*
Best Actress: **DIANA ROSS** in *LADY SINGS THE BLUES.*
Best Supporting Actor: **JAMES CAAN** in *THE GODFATHER.*
Best Supporting Actress: **SIAN BARBARA ALLEN** in *YOU'LL LIKE MY MOTHER.*

CAUSALITY

Poverty has no causes;
Only prosperity has causes.
Cold is not the result of processes;
It is purely the absence of heat.
Heat is the application
Of directed, intelligent energy——
So is prosperity!

Robert L. Faulhaber

A laziness pervades my bones
I cannot stir for anything
There flies a robin with a twig,
That sparrow has a mouthful
Much too big
To carry up to the spouting.
Back and forth
That sparrow goes
With an old piece of grass
Just as though he knows
That he must gather every
Scrap and string
To build his nest
Before the Spring
Comes bursting full upon us.

I can see green shoots
Peeping through the ground.
While the dead, brown leaves
Huddled all around
Seem to ask me to scrape
And take them away
That those small, new things
May look at the day.
But I am so lazy
I'd rather watch the sky
Where round, white clouds
Go floating by.

This day has some joy
That I would borrow
The work and the weeding
Will keep for tomorrow.

Betty Parsell

MILKMEN VS POSTMEN

In another move to sidestep the costly and inefficient U. S. postal monopoly, a new business known as the Magazine Dairy Network has been organized by New Yorker Lon Carli. The premise is quite simple: milk delivery routes already cover many neighborhoods where magazine subscribers live; both magazine publishers and dairies are plagued by high delivery costs; so why not combine forces and deliver both milk and magazines at the same time?

The plan is under way in Rhode Island, where the Magazine Dairy Network has brought together giant Time-Life and H. P. Hood, Inc., one of New England's largest dairies. The program is already operational in both Providence and Barrington. Hood milkmen deliver magazines to customers' front porches (mailbox use is forbidden) along their route, whether or not they are also milk customers. By using a delivery list, the system saves the publishers the expense of address labels, thereby further reducing delivery costs.

Other competitors to the postal system are also being investigated by publishers. Besides the Independent Postal System of America (*REASON,* "Trends," December 1972), various independent delivery services, utility company meter readers, and housewives are being recruited to deliver magazines and advertisements.

SOURCES:

- "U. S. Publishers Turn to Milkmen, Cite Postal Costs, Slow Service," Mike Causey, *INTERNATIONAL HERALD TRIBUNE,* 7-8 October 1972.
- "Magazines and Milkmen," *PARADE,* 3 December 1972.

THE FED IN TROUBLE

The Federal Reserve System, the arbiter of the nation's money supply and ultimate source of inflation, is beginning to show signs of strain. Despite its monolithic appearance, membership in the system is technically *voluntary* on the part of member banks. Over the past few years increasing numbers of small and medium-size banks have decided to withdraw from the system—41 in 1971 and 51 in 1972 did so. And a leading California banker notes that 90% of all new banks being formed in that state will begin as non-members of the Fed. Thus, although 80% of all U.S. bank deposits still reside in member banks, the trend has Fed officials "concerned," according to a spokesman for the Fed, because "the fewer members we have, the fewer deposits we can control or influence with our monetary policy."

Bankers cite a number of reasons for withdrawing from the Fed, such as Regulation J dealing with the "float" on check payments and the Fed's large reserve requirements (which can tie up large amounts of funds). In addition, large commercial banks now compete with the Fed in providing smaller banks with such services as check clearing, coin and currency deliveries, loan buying and selling, and telegraphic transfer of funds. Thus, smaller banks can now obtain these services, usually at lower cost, without being members of the Fed.

Thus, a definite trend is under way, whose effects could be far-reaching. As the *LOS ANGELES TIMES* has observed, "If a large percentage of member banks withdraw from the Fed, its control over the U.S. economy would be severely reduced."

SOURCE:

- "Federal Reserve Defections Grow," John Getze, *LOS ANGELES TIME,* 17 December 1972.

VOLUNTARY EDUCATION

An interesting, explicitly libertarian proposal appeared recently in *CHANGE,* the magazine of higher education. Titled "Learning by Contract," the article by Alan S. Waterman advocated a system of higher education based on voluntary contractual relationships between students and teachers.

Waterman cites a number of benefits from such a system. First, by paying each professor directly, the student would develop a legitimate stake in determining what is taught—students would be far more likely to profit from each course they selected than under the present system. The voluntary system would thus tend to promote innovation in curricula. as teachers sought to provide material of maximum usefulness. In addition, the quality of teaching should increase, as valuable instructors become more in demand and poor ones cease to be subsidized.

Waterman recognizes the criticisms likely to be hurled at his proposals and skillfully counters each one. Defending against fears of hucksterism and pandering he stresses the values of free inquiry. reputation, and rationality as appropriate counterbalances. Waterman also reiects the overriding paternalism inherent in the notion that students must be forced to take certain courses "for their own good," and rightly asks why those students with maturity and self-direction should be sacrificed to those who lack these qualities when voluntary counseling is always available. Finally, he lauds the absence of tenure under the libertarian system as a benefit rather than a shortcoming, arguing that "if the lack of security causes some faculty members to reconsider their choice of career, the effect would probably be beneficial."

SOURCE:

- "Learning by Contract," Alan S. Waterman (Hartwick College), *CHANGE,* Winter 1972/73, p. 12.

PRICE CONTROL BY DE-CONTROLLING

The hand of University of Chicago economist George Schultz is clearly visible in the Administration's latest series of moves to hold down food prices. And the resulting set of policies provides an insight into the kind of policies libertarians could pursue in a political context—without violating their principles. For *all* of the new food-price policies involve *removing* coercive restrictions or removing government subsidies—not adding controls. The package includes the following items:

- Continued *suspension of import quotas* on meats throughout 1973 (thereby providing free entry of lower-priced foreign meat).
- A 25% increase in the amount of land farmers are allowed to plant in wheat, corn, grain sorghum, soybeans, and rice (so as to provide incentives to expand production and lower prices).
- The sale of all but a small emergency supply of the grain stockpiles now held by the government (thereby putting further downward pressure on prices).
- The *elimination of export subsidies* on tobacco, flax, and other crops (the wheat subsidy was ended last September).
- Review by the Cost of Living Council of all USDA program changes dealing with food supplies (USDA typically

aids farmers in cartelizing the market, in an attempt to obtain higher prices).
- *Termination* of the USDA rural environmental assistance subsidies (about $200 million in 1972).
- Increase in the interest rate charged on USDA commodity loans to farmers, to near-market rates (from 3.5 to 5.5%) thereby reducing the subsidy effect of below-market rates.

The set of policy changes provides a good illustration of the creative use of a crisis situation as the rationale for removing a host of unjustified government interventions in the economy. Both critics and supporters see the moves as a significant step towards phasing out the entire $4 billion farm subsidy system.

SOURCE:

- "Farmers Flinching at President's Ax," John Getze, *LOS ANGELES TIMES,* 28 January 1973.

publisher's notes

• **REASON IS GROWING:** *REASON* is pleased to announce that it has entered into an arrangement with the Society for Individual Liberty to fulfill the balance of existing subscriptions to the *INDIVIDUALIST,* previously published by SIL. SIL is the largest libertarian organization in America, with more than 100 active chapters located on college campuses throughout the country. SIL has agreed to offer special combination memberships which will include a subscription to *REASON* in addition to membership in SIL, for the combined cost of $10 per year. SIL offers many useful membership benefits, including (in part) a monthly newsletter, *SIL NEWS,* and numerous issue papers. *REASON*'s March issue, featuring Murray Rothbard's significant discussion of "Free-Market Police, Courts, and Law" was the first issue sent to *INDIVIDUALIST* subscribers. Since the negotiations with SIL were concluded just prior to printing the March issue, we were not able to publish notification of the SIL arrangements in last month's issue. At this time, *REASON* would like to extend a warm welcome to all of our new readers.

• **REASON ASSOCIATES:** We are grateful for the nice response to our Reason Associates campaign. As we go to press, Reason Associates include:

Sustaining Members: Edward Crane III, Los Angeles CA; James O. Galloway, Los Angeles, CA; M. Lindsay, Montreal, Quebec; J.L. Erickson, Oklahoma City, OK.
Supporting Member: David B. King, Landover Hills, MD.
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We hope that many more of our readers will become Reason Associates, thereby helping *REASON* finance its promotional campaign aimed at nonlibertarians. As set forth on the back cover of our March issue, Reason Associates also receive unique, tangible benefits, in addition to helping spread libertarian ideas. A regular membership for one year costs only $25; and a sustaining membership costs $100. Send in your check today!

• **REASON ON SCHEDULE:** *REASON* has consistently published each issue on schedule since it was taken over by Reason Enterprises, commencing with the January 1971 issue. In connection with Clarica Scott of Rimstar Publication Services, we work closely with our mailing house in an effort to assure that issues are sent to each of our subscribers on a timely basis. Issues are sent by second class mail. Unfortunately, the service provided by the government postal monopoly seems to be deteriorating. In the past two months, we have received a record number of complaints from readers who did not receive their issue. We would like our subscribers to be aware of *REASON*'s policy of replacing lost issues only if within two months old. Requests for replacement of undelivered issues which are over two months old must be accompanied by full payment. Since postal delivery is often slow, please wait until the first day of the month of issue before notifying us of nondelivery. And if you are moving, be sure to give us *six weeks'* advance notice, which should be accompanied by your new address *and* old address label. Any issues lost due to late notification of an address change will be replaced only if full payment is enclosed.

• **INCOME TAX UNCONSTITUTIONAL?** The December 1972 issue of the *AMERICAN BAR ASSOCIATION JOURNAL* contains an article by a New York City tax attorney, William G. Halby, "Is the Income Tax Unconstitutionally Discriminatory?" Halby discusses a recent Pennsylvania Supreme Court decision in which, by implication, the court is saying the Federal Internal Revenue Code is unconstitutional. Halby states, "What, I wonder, would be the response of Congress and the Treasury if tomorrow, say, a million taxpayers decided not to pay their taxes and to test the constitutionality of the Federal income tax laws in the Tax Court?" We wonder . . .

• **NATIONAL TAX PROTEST DAY—APRIL 14:** The Society for Individual Liberty is coordinating a project opposing taxation, which includes commitments from nearly 70 groups around the nation that will be putting on local demonstrations and working with the media. In connection with the project, SIL is sending special literature to the local groups, including a hard-hitting brochure, "Taxation Is Theft." For further details, write SIL, 304 Empire Bldg., 13th and Walnut Sts., Philadelphia PA.

• **LIBERTARIAN OPINION SURVEY:** Results of the recent Polifax Press survey of libertarians have been announced. Findings of the survey show that "*REASON* is by far the most respected libertarian magazine." Also, *REASON* editors Manuel Klausner, Robert Poole and Tibor Machan were each named among the ten individuals who are doing the most to build the libertarian movement into a major force. Complete survey results are available for $.50 from *POLIFAX SURVEY,* P.O. Box 20067, Denver, Colorado 80220.

• **LIBERTARIAN SENATE RATING:** The November 1972 issue of *THE LIBERTARIAN FORUM* contains a useful rating of Senators from a libertarian perspective. No Senator rated an excellent, but Senators H. Byrd (Ind., Va.) and Roth (Rep., Del.) each were rated Very Good. The absolutely worst Senator was Scoop Jackson of Washington ("Excruciatingly Bad"). *THE LIBERTARIAN FORUM* is edited by Murray Rothbard. Subscriptions, $8.00 per year from The Libertarian Forum, Box 341, Dept. R, Madison Square Station, New York, NY 10010.

• **RAMPART COLLEGE:** At the December meeting of the Rampart College Board of Trustees, Seymour Leon was named as president for 1973. Mr. Leon has been associated with Rampart College since 1967 and is the founder of the League of Nonvoters. Outgoing president, Rampart's founder Robert LeFevre, will continue to teach the courses in the "Fundamentals of Human Liberty" offered by the college. Rampart announced that LeFevre's decision to resign as president was prompted by his heavy teaching schedule and his desire to concentrate more heavily on writing. Rampart publishes a monthly newsletter, available at no charge upon request. Write Rampart College, 104 West Fourth Street, Santa Ana CA 92701.

• **ANTITRUST MYTHS:** D. T. Armentano, Associate Professor of Economics at the University of Hartford, has had his book *THE MYTHS OF ANTITRUST* published by Arlington House. Armentano's article, "Capitalism and the Antitrust Laws," appeared in the January 1972 issue of *REASON,* and *REASON*'s highly acclaimed March 1972 cover story, "The Great Electrical Equipment Conspiracy," was drawn from *THE MYTHS OF ANTITRUST.* A limited number of copies of the January and March 1972 issues of *REASON* are still available, at the cost of $1.00 each.

• **ASIAN AID:** Both the U.N. and the Liberal Establishment have remained silent while Uganda dictator "Big Daddy" Amin ordered some 60,000 Asian professionals and shopkeepers (i.e., capitalists) out of the country, stripped of their possessions. Another million Asians in Africa are susceptible to similar moves by racist government demagogues, the first of which appears about to begin in Kenya. To assist the victims of such pogroms, a group of libertarians has organized the Asian African Relief Foundation, a non-profit, charitable organization with offices in California, New York, and London. AARF has hired the John Zeigler Inc. advertising agency to prepare a fund-raising ad campaign. The group hopes to raise money both for direct assistance to the exiles, and to underwrite travel and negotiations aimed at establishing an enclave where they (and others seeking freedom from government oppression) can resettle in peace. Contributions may be sent to Asian African Relief Foundation, P.O. Box 6262, Santa Barbara, CA 93111.

• **POPULATION PAMPHLET:** David Friedman, Columbia University physicist and son of economist Milton Friedman, has written an interesting pamphlet on the population problem. Titled "Laissez-Faire in Population: The Least Bad Solution," it is published by the highly-respected Population Council. Friedman presents an economic analysis of the factors affecting family size and discusses the extent to which child-rearing is currently subsidized in the United States. The 46-page pamphlet is available without charge from the Population Council, through Key Book Service, 425 Asylum Street, Bridgeport, CT 06610.

• **MACHAN IN HUMAN EVENTS:** Associate Editor Tibor Machan recently had an article published in *HUMAN EVENTS,* the conservative weekly. The article was titled "TV Violence: An Analysis," and explored the change in American values that is reflected in TV's growing presentation of violence for its own sake, apart from a moral context.

(continued on page 34)

Are you being brainwashed by the environmental fanatics?

Did you think that there is a population explosion in the US? Then read *Eco-Hysterics and the Technophobes*: The fertility rate in the US is now *below* its zero-population growth value, and the population, far from exploding, is now heading for eventual decline. How about South America, India, the underdeveloped countries? If you think there is cause for alarm, read *Eco-Hysterics and the Technophobes*!

Did you think that computer simulations such as reported in the *Limits to Growth* are meaningful in predicting doom by starvation, overpopulation, pollution and depletion of resources? Read *Eco-Hysterics and the Technophobes* to see how these programs are based on false assumptions and how the input data were shamelessly manipulated so that the printouts *must* produce catastrophe! You do not have to be a computer expert — the evidence is blatantly obvious!

Will we run out of mineral resources? Some countries have already run out of copper, for example; but they are using aluminum for electrical conductors instead. Read *Eco-Hysterics and the Technophobes* to see why telephone lines of the future will require neither copper nor aluminum and why doom by depletion of resources is another hoax by the professors of apocalyptic holocaustology.

Will there be an energy crisis? Yes. But it will not be caused by lack of energy. It will be caused by lack of access to that energy, quite often blocked by the environmentalists who are filing suits against the construction of badly needed modern power plants whilst fossil-burning plants work at top capacity and pollute the air.

Get *Eco-Hysterics and the Technophobes* to see why a clean environment needs more technology, not less. Read how the ecocult is already damaging the environment by curbing science and technology. This is not a book countering one kind of paranoia by another; it is a doomsday debunker giving the facts on population growth, resource depletion, pollution control, mass transportation, genetic engineering, and a hundred other subjects on which the environmental zealots are trying to brainwash you with their self-defeating proposals.

ECO-HYSTERICS AND THE TECHNOPHOBES

By Prof. Petr Beckmann
Electrical Engineering Department, University of Colorado
216 pages, illustrated 6 by 9 clothbound • $6.95 postpaid

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• **LIBRARY GIFTS—INCOME TAX SPECIAL:** Best way to assure that *REASON* finds its way into more libraries is to donate a gift subscription. A complete listing of current library subscribers was carried in this column last month. As an incentive to secure additional library gift subscriptions, *REASON* is again offering a year's free subscription or renewal to all readers who donate three one-year library gift subscriptions at the $9 regular subscription rate. Names of donors will be published in this column. *REASON* can select library recipients, if desired by donors. This is an excellent way to help promote libertarianism. Act now—this offer will close on April 15, 1973 (Income tax due date).

• **TELEVISION APPEARANCE:** *REASON* editor Manuel Klausner appeared with Jim Kelly of the Libertarian Party on "Fisher's Target," a Newport Beach cable television interview program. The program was aired twice in February and may be scheduled for additional showings in the future.

• **FOR A NEW LIBERTY AVAILABLE NOW:** Murray Rothbard's new book, *FOR A NEW LIBERTY,* scheduled for release in March by The MacMillan Company, can be ordered at a discount from *REASON,* P.O. Box 6151, Santa Barbara, CA 93111. *FOR A NEW LIBERTY,* excerpted last month in *REASON* ("Free-Market Police, Courts, and Law"), sets forth a comprehensive, systematic application of libertarian analysis to current problems, ranging from education and highways, to foreign policy, welfare, conservation, ecology and more! A highly-significant, provocative work—available now from *REASON* for only $7.25. Regular price is $7.95. Additional 10% discount to REASON ASSOCIATES. (California residents, please add 5% sales tax.) Send in your check today for Rothbard's engrossing and richly instructive new book—an indispensable volume for all libertarians and every person seeking to learn about libertarianism.

• **LIBERTARIAN FACULTY REGISTRY:** Space limitations preclude our publication this month of the listing of libertarian faculty members in American and Canadian colleges and universities. As previously announced, *REASON* is cooperating with *OUTLOOK* in compiling the faculty registry. Readers are invited to submit proposed names for inclusion on the registry. Please send name, department and university for each faculty member. *REASON*'s initial listing will be published in a forthcoming issue.

• **COMING NEXT MONTH:** *REASON*'s May issue will contain the long-awaited second exclusive *REASON* interview with Nathaniel Branden. The interview provides an excellent introduction to Dr. Branden's approach to therapy and constitutes a major addition to the literature on psychology. Also included in the May issue is *REASON* associate editor Tibor Machan's thoughtful analysis of human rights and *REASON* science fiction columnist John J. Pierce's insightful discussion of Robert A. Heinlein and his important new novel, *TIME ENOUGH FOR LOVE.*

reason profile

STEVEN D. SYMMS

In 1972 libertarians began seriously exploring the possibility of using the political process to further the cause of freedom. The Libertarian Party gained nationwide publicity and one electoral college vote, and libertarian candidates were on the ballot in several states. Most surprising, to almost everyone concerned, was the fact that one of these candidates was elected! Steven Douglas Symms won the Republican primary and then the general election to represent Idaho's 1st District in the U.S. Congress—and what's more he did it with the combined endorsements of President Nixon, William F. Buckley, the American Independent Party and the Libertarian Party!

Thirty-four year old Symms was born and raised in Idaho, and graduated from the University of Idaho, Moscow in 1960 with a B.S. in agriculture and economics. While in college he was a three-year letterman in football and after college he served in the U.S. Marine Corps for three years with the rank of First Lieutenant. He is a businessman, being Vice President and manager of Symms Fruit Ranches (his campaign symbol

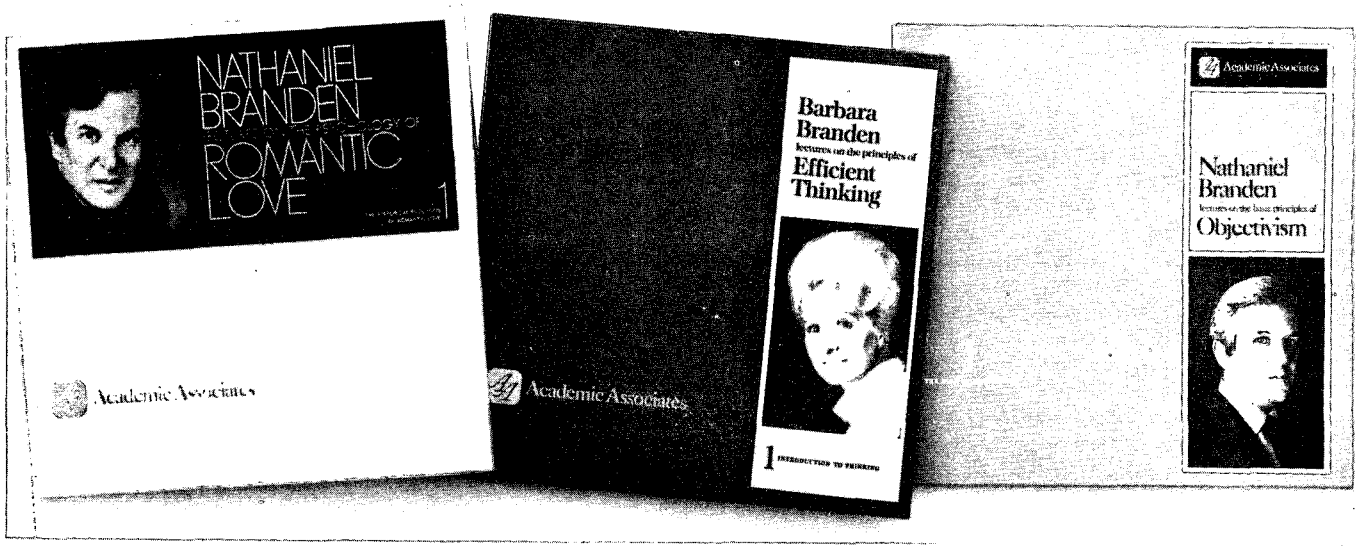
Did you ever want to take a bite out of Government?

was an apple) and has the Elaine Powers Figure Salon franchise for Boise. He and his wife Frances were married in 1959 and have four children.

Since 1969 Symms, with two fellow libertarians, lawyer (and campaign manager) Bob Smith, and livestock dealer Ralph Smeed, has co-edited and produced the *IDAHO COMPASS,* a small, irregularly issued newspaper of conservative/libertarian opinion. Its first issue, on the need to reconsider the function and scope of higher education and calling for full-cost tuition pricing at the University of Idaho cost Symms his position as President of the University's Alumni Association: the alumni board felt that anyone with his opinions couldn't be a loyal alumnus!

Symms states: "In making my decision to run for Congress, I felt it important the voter be given a candidate whose campaign and whose service in Congress would be based on principles and not on political pragmatism." In fact, Symm's campaign was remarkably explicit in its call for cutting back on government, abolishing minimum wage laws and other laws which restrict free entry into the market, breaking the government monopoly in education, etc.

Symms has already introduced two bills into Congress—one calling for the legalization of gold ownership by private citizens and the other designed to abolish the government monopoly in first class mail delivery. Only time will tell if he is successful in putting his principles into practice; however, the odds are that the new resident of 1410 Longworth House Office Building will provide his House colleagues with plenty of food for thought over the next two years!



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OBJECTIVISM

Objectivism is at the same time one of the most important and the least understood philosophies of the 20th century. A philosophy of reason, self interest, individualism, and political freedom, it speaks to the most urgent needs of thinking men and women today. It is both timeless in importance and as topical as this morning's headlines.

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11. Justice vs. Mercy
12. The Evil of Self-Sacrifice
13. Government and the Individual
14. The Economics of a Free Society
15. Common Fallacies about Capitalism
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19. The Nature of Evil
20. The Benevolent Sense of Life

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letters

GOLD LEGALIZATION

On January 19th I spoke with Congressman Steve Symms [Ed.—See this month's REASON PROFILE] about the chances for gold legalization. Steve seemed optimistic and indicated that Senator McClure believed gold would be legalized by the end of 1973. As you may realize, the first Bill introduced by Congressman Symms on January 3rd was one to legalize gold—H.R. 1232. Congressman Crane introduced his Gold Bill H.R. 435 (sponsored jointly by Congressmen Crane, Ashbrook, Rousselot, Goodling, Scherle, Archer, and Blackburn); Senator McClure introduced Gold Bill S. 359; and Senator Dominick introduced Gold Bill S. 395 (sponsored jointly by Senators Dominick, Curtis, Goldwater, Mansfield, and Stevens). The House Bills were referred to the Committee on Banking and Currency; the Senate Bills to the Committee on Banking, Housing, and Urban Affairs. It is essential that lobbying pressure via letters be placed on both these Committees, insisting that hearings be held on the above Bills. Letters should also be sent to President Nixon demanding rescission of Executive Order No. 6260 and all subsequent gold regulations.

On Inauguration Day, January 20th, the National Committee to Legalize Gold hired an Aero-Associates c. 1926 Steerman bi-plane to circle above the Washington D.C. skies and write a) LEGALIZE GOLD in smoke if the weather permitted, or b) fly a LEGALIZE GOLD banner from 11AM-1 PM with undesirable weather. As it turned out, the windy weather only permitted the use of a large banner flown behind the bi-plane.

Perhaps the banner was better since the smoke would have gone unnoticed after 3-5 minutes. As it was, NCLG received national publicity on CBS and NBC: during reviewing ceremonies at the White House, Walter Cronkite remarked to Roger Mudd concerning the strange bi-plane flying dangerously close to the forbidden area—P-56. Walter said the bi-plane was flying a banner reading LEGALIZE GOLD and Roger added that the plane was hired by a group calling itself the National Committee to Legalize Gold. When Walter asked why gold wasn't legal, Roger replied by briefly describing the intentions of NCLG—to permit private ownership of gold by American citizens.

The Capitol Bldg. area itself was patrolled as an armed fortress: apr. 1500 national guardsmen spaced every four feet surrounding the Capitol, with an additional 800-900 special Washington D.C. police forming an outer circle and 5-7 helicopters circling continuously above; all underground tunnels had several ranks of guards at every entrance—not to mention scores of secret servicemen placed on the roofs of adjoining buildings. I could not distribute Press Releases of the bi-plane activity before 11 A.M. for fear that the FAA would get wind of our plans and attempt to ground the bi-plane. As it was, I was later told by a member of Aero-Associates that the Steerman bi-plane constantly worried the helicopters and control tower: the helicopters constantly radioed the tower, shouting that the bi-plane had violated the P-56—the one-mile area surrounding the Capitol where unauthorized planes were not permitted. Although the bi-plane never violated P-56 as verified by control tower radar, the pilot was experienced enough to fly within several yards of the boundary. Crossing the boundary would have meant immediate revocation of the pilot's flying license.

The following Sunday, January 21st, the local CBS affiliate in New Orleans contacted NCLG Director Jim Blanchard and requested a news interview which was aired twice Sunday night. Since then, Jim and I have been working with the CBS affiliate station to produce a local special on the gold issue. Hopefully, this local program will be a prelude to additional national coverage of the issue.

Evan R. Soule', Jr.
Director
National Committee to Legalize Gold
New Orleans, LA

ALLEVIATE FUTURE SHOCK

I applaud Ron Merrill's article, "The NEW Anti-Science Movement" (*REASON*, January 1973), but wish to raise a few points that are of particular relevance to his thesis.

Mr. Merrill refers to Ayn Rand's essay, "The Anti-Industrial Revolution", as containing the basic explanation of the motives—the "why"—which underly the anti-science movement. Essentially, this motive reduces to an insensate fear and (because of that fear) hatred of rationality and earthly happiness—which views technology as the main evidence of these "evil" aspects of humanity. Indeed, the more virulent strains of anti-technologism may be driven by such a hatred, but such an explanation overlooks a powerful psychological phenomenon that would motivate even the most benevolent person to decry technological progress: *future shock*. The detailed exposition of the sources and nature of this phenomenon are to be found in Alvin Toffler's excellent book, but the basic thesis runs as follows: a changing physical and social environment impels one to continuously *adapt* one's concepts and habits to accommodate new data or new values which one must use in the execution of new *choices*. One's mental efficacy is contingent upon possessing a rapid adaptation reflex. Occasion may arise where one's environment is evolving at a rate faster than one's ability to adjust. The psychological breakdown experienced at this juncture is called future shock—and, in our rapidly developing technological society, it is a force to contend with on the cultural level. I am suggesting, of course, that the anti-science movement may find deeper roots in this simply psychological crisis mechanism than in generalized hatred of man's happiness. Not only should libertarians advocate the property-rights analysis of pollution, the principle of *caveat emptor* (providing there is no fraud), and the de-politicization of science—they should also engage in active research into ways in which future shock may be alleviated, for it will be a continuing obstacle to the creation of *any* culturally dynamic society.

Furthermore, in the wake of the future shock effect, the advancement of technology may compel a fundamental transformation in the dominating *image-of-man* held in a society. Consider: when mankind comes to have abilities previously attributed to religious godheads (e.g., creation of life from inanimate matter, indefinite longevity via clonal substitution/transplantation, dirigible energy resources of thermonuclear origin, and mechano-electronic conveniences that verge on Arthur C. Clarke's definition of "magic"), there will be little reason

AMERICANS FOR A PROSPEROUS FREE ECONOMY

COMMITTEE FOR THE

ANTI-INFLATION AMENDMENT

To the Constitution of the United States

1. HARD CURRENCY MANDATE

After considerable research by economists, many people have come to the conclusion that economic problems—inflation, unemployment, depressions (and obviously the taxes to cure them all)—are **caused** by the Federal government, as it mismanages the money of the United States. The money supply fluctuates: when it expands too fast, we get inflation; when it slows down, we get unemployment. Americans are forbidden to own gold, and the balance of payments is overdrawn because of depreciating money. We the People can end all of that by passing a law to discipline our government:

> Section 1: IT SHALL BE THE PUBLIC POLICY OF THE UNITED STATES TO STABILIZE BY LAW THE SUPPLY OF MONEY IN CIRCULATION, AND THEREBY TO PRESERVE AND INCREASE THE PURCHASING POWER OF THE CURRENCY OF THE UNITED STATES.

This policy could be accomplished in a number of ways. The precise way chosen would be up to the Congress, the President, and the Federal Reserve System. Among the ways would be either using the commodity price of gold, or any group of commodities, as a base price, or by fixing the quantity of money, or the rate of monetary expansion, by law.

IT IS TIME TO FOCUS PUBLIC ATTENTION ON THE ECONOMIC ISSUES.

2. WAGE AND PRICE CONTROLS UNCONSTITUTIONAL

We can now get rid of those unfair wage and price controls. Everybody—Democrats and Republicans alike—all want to get rid of wage and price controls "as soon as possible." The time is **right now!** The controls are not needed any longer, and the Anti-Inflation Amendment will prevent the need for controls in the future.

> Section 2. CONGRESS SHALL MAKE NO LAW RESTRICTING THE FREEDOM OF WAGES AND PRICES. THE RIGHT OF CITIZENS TO MAKE CONTRACTS AND TO TRADE FREELY AMONG THEMSELVES SHALL NOT BE ABRIDGED.

This idea has been suggested by George Meany, President of the AFL-CIO, and by George McGovern during his election campaign. Richard Nixon supported this principle until 1971, and may someday support it again.

IF YOU SUPPORT THIS PROPOSAL, SEND YOUR NAME TO THE COMMITTEE.

3. CARTEL MONOPOLY PRICES FORBIDDEN

The government not only causes inflation and economic depressions, it sometimes makes things worse by price controls in favor of certain vested interests, and cheats the consumers because **competition** is against the law. We need competition in our free economy to make the system work.

> Section 3: THE GOVERNMENT OF THE UNITED STATES, OR OF ANY STATE, SHALL NOT, THROUGH ANY LAW OR ADMINISTRATIVE ACTION, PREVENT OR FORBID ANY PERSON OR CORPORATION FROM OFFERING FOR LEGITIMATE SALE OR FROM LOWERING THE SALE PRICE OF WHATEVER GOODS OR SERVICES MAY BE COMMERCIALLY TRADED.

This idea was first suggested by Milton Friedman. All it says is that consumers deserve the lowest prices possible, and the government should not obstruct competition in any way.

FOR INFORMATION WRITE TO THE COMMITTEE, BOX 4691, CHICAGO 60680

to prohibit mankind from assuming the mantle of godhood. Whether this will result in *hubris* or an immense "breaking free" is dependent upon the ability of such a society to assimilate a self-image that corresponds to its developed abilities.

A necessary item to introduce, by way of placing anti-technologism in its proper perspective, is that our nation is *already* into the opening rounds of an energy crisis. Simply put, our entire economy is desperately hurting for exploitable energy reserves. This crisis is well understood and acknowledged by those engaged in the power, petrochemical, auto, and aerospace industries. (Jet fuel prices went up 30% over the past year!) The significance is that the battle for technology is no idle academic contest; it could mean the difference between reading by electric light or by sunlight only, ten years from now.

Other issues could be touched upon (such as the evidence that the AEC may have actually *thwarted* the economic exploitation of nuclear fission), but they are too involved. the main point, as Mr. Merrill states, is for libertarians to acquire an investment in understanding and advancing a *technological* society.

Michael J. Dunn
Aeronautics & Astronautics
University of Washington
Seattle, WA

TAXATION IS THEFT

According to the December 1972 *REASON,* John Hospers stated that even if he were elected President, he wouldn't discontinue taxation for programs such as Social Security, where people paid taxes "in good faith" expecting a return. John Hospers claims to be a libertarian. What is libertarian about the government stealing funds from one group of people to pay its obligations to another group of people? Perhaps John Hospers has forgotten already that the basic libertarian ethic is non-coercion. A compromise of such a gross magnitude that permits a "limited" amount of governmental coercion is not compatible with the stated aim of the "Libertarian" Party to educate the public about libertarianism. Taxation is theft (coercion). An advocate of taxation is not a libertarian.

Natalee Hall
Co-Publisher, Libertarian Connection
Los Angeles, CA

ABORTION: A DISSENT

The abortion issue continues to generate heat, and it is good that the pages of *REASON* provide a forum where readers may ventilate their opinions.

Mere opinion moves into the area of expert testimony whenever a writer speaks from within the field of his professional competence. Such is the case in the third paragraph of the letter from Dr. William R. Havender (*REASON,* January 1973). Writing as a geneticist he says that the pro-abortion position he defends "considers a fetus at all times to be human ... just like any other human." This is a generous appraisal, for it is now as common to deny the fetus's humanity as it once was to deny women, children, Blacks, Indians, heathens, their full measure of humanness. The fetus is only a part of the woman's body, one hears it said, and of course a woman has a right to do as she pleases with her own body. As if the fetus were merely an unwanted growth! But the living thing in the womb is what it is; calling it nonhuman does not make it so. If you call stones plums, said Samuel Johnson, you can make a plum pudding out of stones, and if you call the fetus a tumor you beg the question as to abortion. To abort is to take a human life.

What is the nature of the crime for which the fetus is to be executed? This little human being is utterly dependent on the woman whose womb he inhabits, the mother-to-be. He did not choose to entrust his life to this particular woman; she chose to have intercourse knowing that pregnancy is one possible consequence of the sexual act. If fault is to be assigned in this situation—woman with fetus in womb—no blame can possibly possibly be attached to the fetus. He is not guilty of anything; he just wills to go on living.

There is the closest of bonds between the fetus and his mother-to-be. If these ties are to be severed it is she who must initiate the action, and the action in this instance means killing another human being. Under what circumstances is the act of killing justified? A person may kill in self-defense, we say; his right to do so is almost universally acknowledged. How does this axiom apply to abortion? Is the fetus guilty of "initiating force" against the person with whom his fate is linked? No. Has the fetus taken aggressive action? Clearly not. Is the woman who decides to abort acting in self-defense, in the sense that "it was either my life or his?" Medical advances make such an either/or situation exceedingly rare.

Let's say that a pregnant woman decides that she no longer cares to play host to the parasite in her womb, so she has an abortion. The analogy used to justify the act runs something like this: A, who has been supporting B as an act of charity, decides to stop. B protests, as if he had some sort of right to continued support from A. He has no such right; and A has every right to voluntary association and voluntary dissociation. But what if the dissociation requires the deliberate killing of a defenseless human being who is innocent of everything except the will to go on living? The right to live, on the side of the fetus, versus the desire, on the part of the pregnant woman, to cease supporting the fetus, on the ground that in mundane associations there is a right to dissociate.

All rights are not on the same plane; there is an order of priorities. When the right of the fetus to live conflicts with the right of the woman to dissociate, is there any question as to which right should take precedence?

Edmund A. Opitz
Foundation for Economic Education
Irvington-on-Hudson, NY

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The top news story of 1983, according to a poll of Unterzee readers, was the report of the successful rescue of a news reporter who had been held in jail for a decade for refusing to reveal a news source.

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Full details have not been released, but, a Libertarian paper reported a small star shaped gold pin with the words "I am" inlaid in silver had been found near the cell and the words "Big Brother, you asked for it" had been painted in

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–David F. Nolan
Advertising Director
Libertarian Party

(continued from page 38)

large orange letters on the wall. In an interview the reporter said, "As usual, when attempting to defy reality or ignore the laws of identity and/or causality, the result was not quite what had been expected. Forgeting Nemesis, as well as the true source of rights, people felt government could give or protect rights and soon found that what government gives it can even more swiftly take away. Legislatures had rushed to pass laws guaranteeing freedom of the press, except–––––and the exceptions list grew longer each year. That had merely served to legitimize government intervention, a sort of foot in the door for licenses and prohibitions against publications under 100 pages, and so on. Lovers of the old Constitution had seen another section stamped 'void where prohibited by law'." end quote.

That constitution was entirely replaced by the 'Declaration of Dependence' seven years ago.

Happy 1984 everyone!

Hank Freeman
Pueblo, CO

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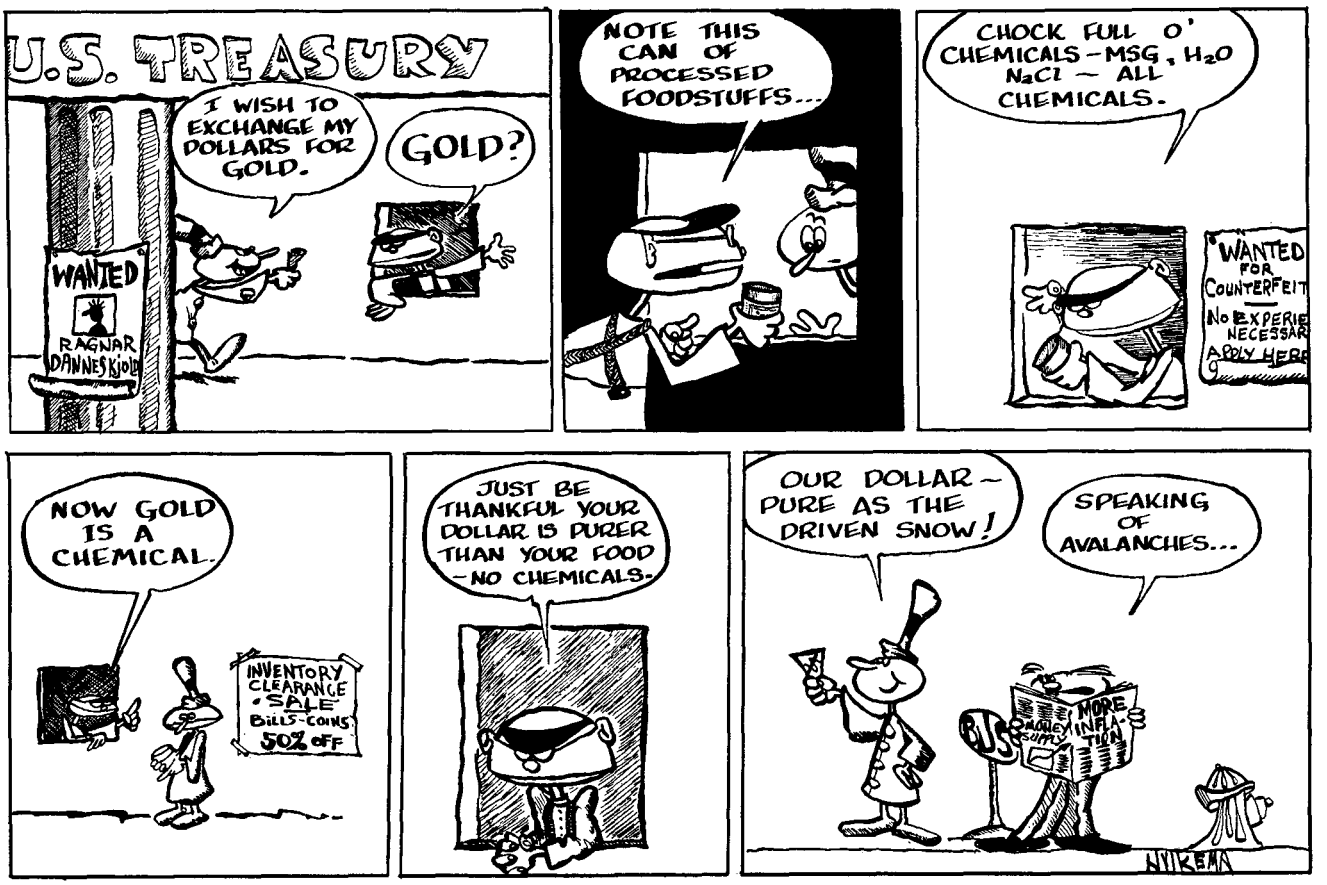
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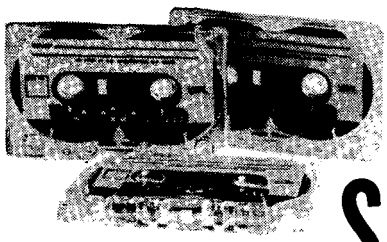

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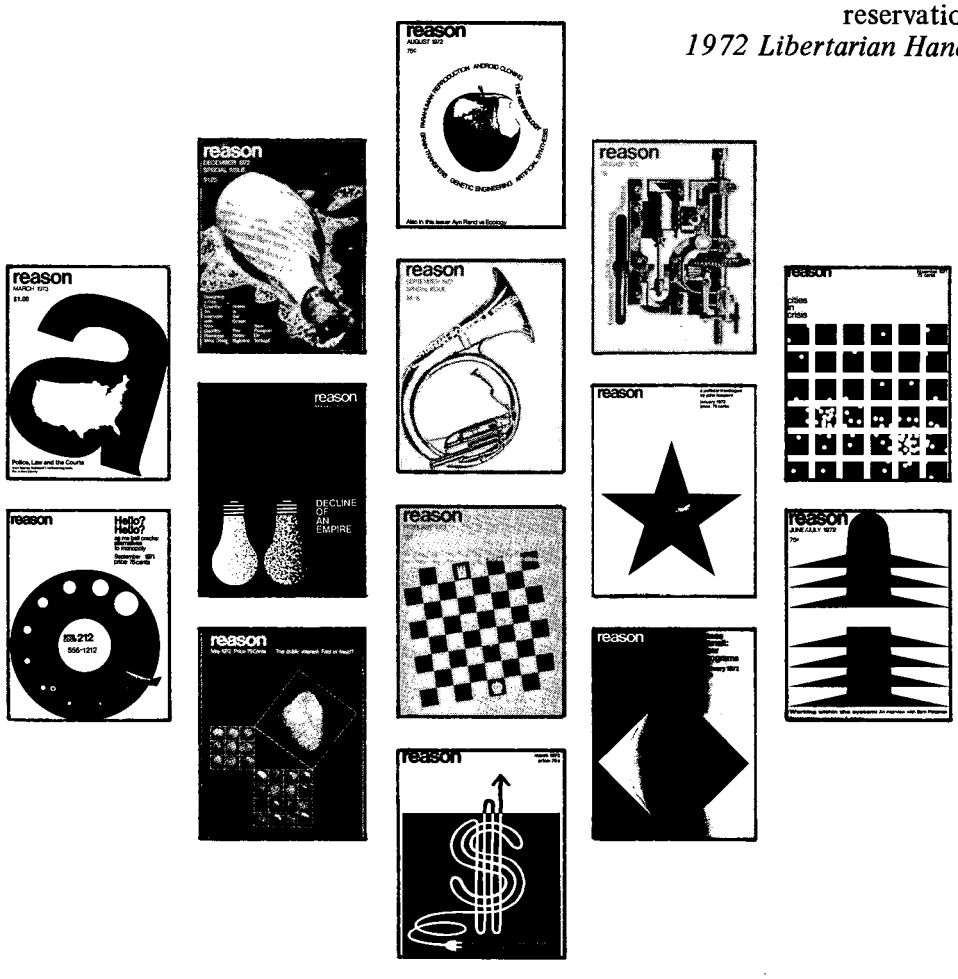

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